



CITY OF MERCER ISLAND CITY COUNCIL MEETING

Tuesday, November 19, 2019 at 5:00 PM

CITY COUNCIL:

Mayor Debbie Bertlin, Deputy Mayor Salim Nice,
Councilmembers: Lisa Anderl, Bruce Bassett,
Wendy Weiker, David Wisenteiner, and Benson Wong

LOCATION & CONTACT:

Mercer Island City Hall - Council Chambers
9611 SE 36th Street | Mercer Island, WA 98040
Phone: 206.275.7793 | www.mercergov.org

In compliance with the Americans with Disabilities Act, those requiring accommodation for Council meetings should notify the City Clerk's Office at least 24 hours prior to the meeting at 206.275.7793.

CALL TO ORDER & ROLL CALL, 5:00 PM

AGENDA APPROVAL

EXECUTIVE SESSION (1)

Executive Session to discuss pending or potential litigation with legal counsel pursuant to RCW 42.30.110(1)(i) for approximately 60 minutes.

STUDY SESSION, 6:00 PM

1. AB 5626: Update on ARCH and ARCH 2020 Work Plan and Administrative Budget

Recommended Action: Receive update.

SPECIAL BUSINESS, 7:00 PM

CITY MANAGER REPORT

APPEARANCES

CONSENT CALENDAR

2. Approve Accounts Payable Reports:
A. Report for the period ending November 4, 2019 in the amount of \$142,359.13
B. Report for the period ending November 6, 2019 in the amount of \$446,575.91
3. Approve Certification of Payroll dated November 8, 2019 in the amount of \$840,423.06
4. Approve minutes of the November 4, 2019 Regular Meeting.
5. AB 5627: Approval of ARCH 2020 Work Plan and Budget

Recommended Action: Approve the ARCH 2020 Work Plan and Budget.

6. AB 5612: Groveland Park Repairs and Shoreline Improvements Project Closeout

Recommended Action: Accept the completed Groveland Park Repair and Shoreline Improvements Project and authorize the close out of the construction contract.

REGULAR BUSINESS

7. AB 5634: Reimbursement Agreement for Environmental Remediation with Atlantic Richfield Company and Seller of the 7810 SE 27th Street (ARCO) Property for the City's Proposed Commuter Parking & Mixed-Use Project.

Recommended Action: Authorize the Interim City Manager to execute the environmental remediation Reimbursement Agreement with the Atlantic Richfield Company and the Seller of the 7810 SE 27th Street property, in substantially the form attached as Exhibit 1, for the City's proposed Commuter Parking & Mixed-Use Project.

8. Public Hearing: 2019-2020 Mid-Biennial Budget Review

AB 5633: Third Quarter 2019 Financial Status Report, NORCOM 2020 Budget Resolution, 2020 Utility Rate Resolutions, 2020 Property Tax Ordinances, and 2019-2020 Budget Adjustments.

Recommended Action: Receive Third Quarter report; conduct public hearing; pass 2020 NORCOM Budget, 2020 Water, Sewer, and Stormwater rate resolutions, adopt 2020 property tax ordinances, and adopt 2019-2020 budget amending ordinance.

9. AB 5623: Sustainability Update – K4C Commitments

Recommended Action: Approve Resolution No. 1570 to adopt the refreshed 2019 Joint Climate Commitments presented by the K4C.

10. AB 5632: Public Institution Code Amendment (1st Reading)

Recommended Action: Set Ordinance 19C-19 for second reading and adoption on the December 3, 2019 Consent Calendar.

11. AB 5628: Code of Ethics Revisions (1st Reading)

Recommended Action: Set Ordinance No. 19C-20 and Resolution No. 1572 to December 3, 2019 for second reading and adoption on the Consent Calendar.

OTHER BUSINESS

12. Planning Schedule

13. Councilmember Absences & Reports

EXECUTIVE SESSION (2)

Executive Session for planning or adopting the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4)(b) for approximately 30 minutes.

ADJOURNMENT



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5626
November 19, 2019
Study Session

AGENDA BILL INFORMATION

TITLE:	AB 5626: Update on ARCH and ARCH 2020 Work Plan and Administrative Budget	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive update	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. ARCH 2020 Budget and Work Program Memo
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

This is a follow-up presentation to the September 17 Study Session, since staff was unable to present and update on ARCH ([AB 5608](#)) due to time constraints. This update includes ARCH's actions in response to reports indicating that owners of affordable units stewarded under ARCH's Homeownership program were not in compliance with ARCH rules, including an overview of the findings of the [consultant report](#). The Study Session on November 19 will provide the Council an opportunity to discuss the consultant report and receive information about the ARCH Executive Board's recommended 2020 budget and work program.

ARCH 2020 Budget and Work Program

ARCH was created in 1993 by an Interlocal Agreement. Member jurisdictions include Beaux Arts Village, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, King County, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Sammamish, Woodinville, and Yarrow Point. By participating in ARCH, member cities are part of a joint and cooperative undertaking to collectively plan for and provide affordable housing in East King County communities. Under the terms of the ARCH Interlocal Agreement, each member city must approve the ARCH Administrative Budget and Work Program annually.

Like other local government members, Mercer Island contributes annually to ARCH in order to provide administrative support for the organization's housing activities. The coordinated approach used by ARCH provides for an efficient use of resources in fulfilling each member city's obligations under the Washington

State Growth Management Act (GMA) to make adequate provisions for the existing and projected housing needs of all economic segments of the population (RCW 36.70A.070(2)), as well as in sharing resources with regional partners in the provision and administration of affordable housing. Housing trust fund projects typically create housing that is affordable for households earning 60% area median income or less. Mercer Island also receives direct support from ARCH staff in implementing affordable housing policies and programs locally, including monitoring of the affordable units created through the incentive program in Town Center. Legislative work supported by ARCH is primarily targeted to result in housing that is affordable at 80% area median income or below. In addition, when Mercer Island begins the work to update the Comprehensive Plan (scheduled to begin in 2021), ARCH staff will provide support in terms of research, data analysis, and policy development related to updating the Housing Element.

When the 2019 budget and work program discussion occurred in May 2019 ([AB 5559](#)), there were inquiries around the provisions of the [ARCH interlocal agreement](#) (ILA) and what would be involved in withdrawing from ARCH. As a reminder, the ILA requires a minimum 1-year written notice for withdrawal. If Mercer Island were not participating as a member of ARCH, the City would have significant obligations that would need to be met internally, something that cannot currently be accommodated with existing resources.

Exhibit 1 includes a memo from Lindsay Masters, ARCH Executive Manager, and Kurt Triplett, ARCH Executive Board Chair. The memo outlines the key findings of the consultant report and action steps ARCH is undertaking to strengthen their operations. Chief among these actions is expanding their staff capacity by 2.0 FTEs. One new position will be dedicated entirely to administration of the Homeownership Program, bringing the overall program capacity up to 2.0 FTE. The second position will be responsible for compliance monitoring of rental housing covenants and providing back-up support to the Homeownership Program. The Executive Board approved this action over the summer and authorized the use of one-time funds and City of Kirkland's housing funds to enable hiring for these positions in 2019. For 2020, ARCH is asking each member city to increase its contribution to the administrative budget to cover the additional costs for these positions.

Administrative Budget

Each year, the ARCH Executive Board develops and approves a work program and administrative budget that is advanced to member city councils for approval. The administrative budget supports the staffing and other costs associated with implementing the 2020 work program, summarized in the next section.

The 2020 administrative budget (see Exhibit 1) totaled \$1,110,097, a 53% increase over 2019. This substantial increase in costs is largely due to the addition of two new staff positions, at a cost of \$264,000. Each ARCH member city pays a share of the administrative budget, based on population. In 2020, Mercer Island's share of the operating budget is \$50,222 or 4.5% of the total. The City budgeted \$33,000 for this expense, and a budget amendment will be required to allocate an additional \$16,895 if the City Council approves this budget and work program.

Housing Trust Fund Budget

In addition to providing administrative support to ARCH, the City budgeted \$100,000 in the 2019-2020 Biennium Budget to contribute to the ARCH Housing Trust Fund (HTF). After contributing to the HTF through the regular City budget process, the City Council must also review and approve allocation of these funds to specific projects as recommended by the ARCH Executive Board.

Several project applications were received in the Fall 2019 funding round and are currently under consideration by the ARCH Citizen Advisory Board and the Executive Board; funding will be allocated based on resource availability and quality of the proposals. Projects recommended for funding by the Executive Board

will be brought back for City Council review and approval in the first half of 2020. The ARCH member cities together typically invest \$1.5 to \$2 million annually in projects. However, no funds were invested in projects in 2018, so it is likely that a larger sum will be invested this year. The HTF currently has a balance of approximately \$6 million. Between 1993 and 2018, ARCH invested over \$62 million to create 3,645 units of East King County housing for families, seniors, homeless, and persons with special needs.

Work Program

The ARCH Work Program (see exhibit 1) was adopted on September 12, 2019 by the ARCH Executive Board and includes the following priorities for 2020:

- Provide excellent stewardship of affordable housing assets
- Develop measurable goals for production and preservation of affordable housing in the ARCH region
- Advance an initiative with high potential for impact (i.e. Eastside Equitable TOD Plan)
- Continue to support proposals for dedicated revenue sources for affordable housing
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission

The ARCH Work Program includes five core areas of work, summarized below:

I. Affordable Housing Investment

Managing the HTF program, including providing technical assistance to prospective applicant projects and coordinating with other public and private funders. Special projects including transit-oriented development, utilization of surplus properties, supporting efforts to expand shelter capacity and preservation of at-risk affordable housing.

II. Housing Policy and Planning

Assisting member cities with housing policy and planning, including Housing Element updates and Housing Strategy Plans, as well as coordinating inter-local, regional and state planning and legislative activities.

III. Housing Program Implementation

Administering local housing incentive and inclusionary programs. Monitoring and oversight of rental and homeownership housing, including improvements to these systems.

IV. Education and Outreach

Hosting public events, providing information to the public and engaging communities in understanding and supporting affordable housing efforts.

V. Administration

Maintaining cost effective administration of ARCH's programs and services. In 2020 this will also include an organizational assessment of ARCH's structure, staffing and capital resources to assess options for expanding organizational capacity.

The ARCH Work Program was prepared in early September of 2019 and includes a reference to supporting the City of Mercer Island in the adoption of a Housing Strategy Plan. The City originally anticipated requesting assistance from ARCH in preparing a Housing Strategy Plan, supported by grant monies associated with Washington State HB 1923. Following the City Council's direction on September 17, 2019, staff has notified ARCH that the City will not be proceeding with this item in 2020. City staff continues to coordinate with ARCH staff around items I., II., III., and IV. of the ARCH Work Program.

Next Steps

Agenda Bill 5627, on the Consent Calendar for the November 19 City Council meeting, will provide the opportunity for the Council to approve the ARCH 2020 budget and work program. If the budget and work program are approved, staff will bring a budget amendment back to Council in Q1 2020 to allocate additional funding to account for additional costs related to expanded staffing. Staff will also bring back the recommended projects for funding from the ARCH Housing Trust Fund for City Council approval in the first half of 2020.

RECOMMENDATION

Receive update.



Together Center Campus
16225 NE 87th Street, Suite A-3 ♦ Redmond, Washington 98052
(425) 861-3677 ♦ Fax: (425) 861-4553 ♦ WEBSITE: www.archhousing.org

MEMORANDUM

Date: September 13, 2019
From: Lindsay Masters, ARCH Executive Manager
Kurt Triplett, ARCH Executive Board Chair
To: ARCH Member City Councils
Subject: ARCH 2020 Budget and Work Program

Please find attached for your review the 2020 ARCH Budget and Work Program which was approved by the ARCH Executive Board for recommendation on September 12, 2019. This memo outlines important changes from previous program years aimed at strengthening ARCH's core services, and pursuing future opportunities to increase the production and preservation of affordable housing in member communities.

Background

In late 2018 through the first half of 2019, ARCH engaged in a deliberative process to evaluate organizational capacity to administer the growing number of member city affordable housing programs, particularly the long-term monitoring of units for compliance with program covenants. This effort involved a comprehensive review of policies and procedures within ARCH's Homeownership Program by a third party consultant, as well as a broad audit of homeownership units.

One major takeaway from this review was that **ARCH staffing has not kept up with the growth in programs it oversees**. ARCH has maintained roughly the same level of staffing (approximately 5.0 FTEs) since the early 2000s. During that time, the number of homeownership units monitored by ARCH grew from just over 100 to about 700 units. The number of rental units produced by local incentive programs grew from under 300 to roughly over 1,000 (with another 600 in the pipeline), while an additional 1,800 units were funded through the Housing Trust Fund. ARCH member cities continue to adopt more incentive programs to ensure that new developments contribute to affordability. In 2019 alone, Bothell, Kenmore and Woodinville all added new housing incentive programs.

The review also concluded with several key findings and recommendations for strengthening ARCH's Homeownership Program, which are described in the Program Assessment Summary prepared by Street Level Advisors in **Attachment 1**. Since the early 1990s, ARCH's program model was intended to provide slightly below market homeownership opportunities and operate with a low overhead. In the last decade, the value of ARCH units relative to the market grew dramatically, and the need for more active

monitoring has grown to ensure units are preserved and used for their intended purpose. On the whole, the Homeownership Program has achieved significant outcomes in providing affordable homeownership opportunities to income qualified households while preserving significant affordability relative to the broader housing market. However, without proper investment in staffing, the program will continue to experience compliance violations and erosion of affordability.

Recommended Staffing Levels for Homeownership Program

As noted by Street Level Advisors, staffing levels for ARCH's Homeownership Program fall well below peer programs and recommended best practices. The recommended staffing for the current program is between 2 and 4 full-time staff, with a ratio of no more than 350 units per FTE as the program continues to grow. Higher levels of staffing would be necessary for ARCH to implement more time-intensive recommendations such as reviewing and approving every buyer's financing. To help create a more sustainable staffing model, Street Level Advisors has also recommended that ARCH develop a plan for implementing new fees at the time of resale.

Based on this analysis, the ARCH Board approved steps to hire two additional staff, and advance options for resale fees that would support additional staffing over time. One new position will be dedicated entirely to administration of the Homeownership Program, bringing the overall program capacity up to 2.0 FTE. The second position will be responsible for compliance monitoring of rental housing covenants, providing additional capacity for contract and covenant development, and providing back-up support to the Homeownership Program. As ARCH incorporates new staff and grows the portfolio of homes in the program, the ARCH Board will continue to evaluate the needs of the organization to carry out critical functions on behalf of its members and the public.

Action Steps Completed to Date

ARCH's staff and Executive Board have taken a number of steps to strengthen ARCH's monitoring and program administration functions and begin implementing consultant recommendations, including:

- ARCH staff completed a light touch audit of every single unit in its Homeownership Program using publicly available data, which was reviewed and supplemented with additional data from ARCH's consultant. The audit identified three main types of issues (foreclosures, non-owner occupancy, and sales or transfers without proper notification).
- ARCH staff conducted follow-up investigations on over 50 units. These efforts resulted in determinations of compliance violations in 25 units, or 3.6% of the total portfolio.
- ARCH staff initiated work with legal counsel from each individual jurisdiction to help define cities' enforcement options. ARCH continues to assist each city to implement enforcement efforts as appropriate. In the majority of cases, homeowners are working cooperatively with ARCH to sell to new qualified buyers. As of September, 8 homes had been sold to new owners, and 3 are pending or listed for sale.

- In March through April, the ARCH Executive Board considered a range of options to create greater staff capacity to implement recommended changes to program policies and procedures. In early June, the Board approved a resolution to authorize the Executive Manager to utilize up to \$415,000 in one-time funds from ARCH reserves and City of Kirkland housing funds for recruitment of new limited-term employees and other methods to create immediate capacity.
- In late June, ARCH submitted hiring requests for two new positions to ARCH's Administering Agency (Bellevue). The positions were approved and advertised in July, and are currently in the selection process.
- In July, ARCH welcomed two interns to assist with administrative duties and special data projects that will help inform program design going forward.
- ARCH is currently in the process of soliciting consultant assistance to conduct analysis and prepare specific recommendations for ARCH's resale formula, and level of resale fees.

2020 Administrative Budget

ARCH's 2020 Administrative Budget shown in **Attachment 2** incorporates ongoing support for the increases in capacity described above. Changes from the previous budget year include:

- Continuation of two new staff positions (conversion from LTEs to permanent FTEs)
- Renewal of internship positions to provide continued administrative support
- Software licensing fees for a new database system
- Reduction in WCIA premiums and increase in Bellevue in-kind insurance
- Modest consultant budget to support:
 - Database development
 - Website updates

The budget also reflects an updated allocation methodology to distribute budgeted expenses among members. The methodology allocates each cities' share on a per capita basis, with a minimum floor of \$2,000. King County's contribution is not on a per capita basis, but does reflect a proportionate increase from 2019. The county has agreed to revisit its contribution levels in the 2021-22 biennium.

The budget includes a new section on contingent income and expenses that reflects the potential for ARCH to provide additional services if new fee revenue is realized. Specifically, up to \$150,000 in fee revenue is estimated from resale transactions and other fees (though it is likely that actual revenue will fall under this level). As noted above, this revenue would help support additional staff support over time.

2020 Work Program

ARCH's 2020 Work Program shown in **Attachment 3** reflects a stronger set of core services planned through the above increases in capacity. A description of the responsibilities of new staff is included on page 6, Stewardship of Affordable Housing Assets.

In addition to strengthening core services, the Work Program includes the following items aimed at laying the groundwork for greater production of affordable housing:

- Develop measurable goals for production and preservation of affordable housing across ARCH member communities
- Partner with transit agencies and other stakeholders to create a plan for implementation of equitable transit-oriented development on the Eastside
- Continue work on a long-term funding strategy for the ARCH Trust Fund
- Explore a shared legislative agenda to advance housing priorities at the state level
- Develop an inventory of promising public and nonprofit property
- Explore outreach and partnerships to promote ADU development

In concert with the activities above, the ARCH Executive Board will also undertake an organizational assessment to further evaluate ARCH's capacity to accomplish its stated mission. Following the thorough evaluation of monitoring functions in 2019, this broader evaluation will examine all areas of the ARCH Work Program, as well as ARCH's organizational structure and governance model. This will ultimately inform the Board's recommendations for the 2021 ARCH Budget and Work Program, as well as any needed revisions to the ARCH Interlocal Agreement, which is scheduled for renewal in 2020.

Housing Trust Fund Parity Goals / HB 1406

Each year, ARCH members are encouraged to contribute on a voluntary basis toward the ARCH Trust Fund, which helps to finance local affordable housing projects through loans and grants. Over time, ARCH cities developed a formula to create goals for local investment based on cities' population, projected employment and housing. A set of updated parity goals are provided in **Attachment 4**.

While these goals incorporate inflationary adjustments from historic investment levels, it is clear that the need for affordable housing has vastly outpaced the capacity of existing resources. ARCH encourages cities to pursue all opportunities to maximize housing investment. Earlier this year, ARCH provided a recommendation memo urging all members to adopt a resolution to implement the local sales tax authorized under HB 1406. If all ARCH cities were to implement this tax, our communities would benefit from roughly \$28 million more in local investment over the next 20 years, with no increase in taxes experienced by consumers. As each ARCH member city considers its 2020 budget, ARCH urges that these resources be authorized and made available for allocation as expeditiously as possible.

Conclusion

Now more than ever, it is critical to preserve and create new affordable housing in our community. The 2020 Budget and Work Program reflects ARCH's commitment to maintaining existing affordable housing assets, while working actively with member cities to pursue opportunities to dramatically expand access to affordable housing options in East King County.

Attachments:

1. Program Assessment Summary, June 2019, Street Level Advisors
2. 2020 ARCH Administrative Budget
3. 2020 ARCH Work Program
4. Housing Trust Fund Parity Goals



Program Assessment Summary

ARCH – A Regional Coalition for Housing

June 11, 2019

Introduction

ARCH engaged Street Level Advisors to assess the organization's ongoing stewardship of its Homeownership Program, which provides affordable ownership opportunities to people with low to moderate incomes while seeking to retain affordability by limiting resale prices for future buyers. This model is known as "shared equity homeownership." Shared Equity programs require a delicate balancing act between the dual goals of helping today's owners and preserving affordability for future buyers.

To conduct the assessment, Street Level Advisor worked with staff to identify problems including foreclosures, unauthorized rentals and unauthorized sales. We compiled data on the affordable pricing and current resale formula values for each home in ARCH's portfolio in order to understand the organization's performance in maintaining long-term affordability. We also administered a comprehensive assessment tool developed by Grounded Solutions Network based on identified best practices for affordable homeownership programs.

This report summarizes key findings and recommendations for specific changes in policies or administrative procedures which ARCH could make to strengthen the program.

A. Key Findings

1. The program is serving households in the target income range.

The roughly 700 units in the program were designed to target households at a range of incomes from 50% to 120% AMI, with the vast majority targeted at 80 to 120% AMI. For the sample of buyers we tested, the median household income was 70.9% of local AMI adjusted for household size.

In addition, buyer incomes are well below the income eligibility limits - 94% of buyers had incomes below the income limit for their unit, and the median buyer's income (as a percentage of local AMI, adjusted for household size) was 18.9 percentage points less than the limit. ARCH allows owners who are unable to sell their homes within 60 days to sell to households above the unit's income limit.

However, of the 29% of sales that occurred after the 60-day period, most homes were sold to buyers who were nonetheless income qualified. Overall, 7.2% of the resales we studied involved sales to 'over-income' buyers.

2. A significant share of ARCH homes have not remained affordable to the same income levels over time.

The program has utilized a variety of resale formulas over time and across different jurisdictions. These formulas have performed differently in preserving affordability, but a significant 67% are now affordable to a higher income group than they were at initial sale.

Overall, the typical home has lost 7.4 percentage points of affordability. Of the program's 3 most common resale formulas (REI, REI/HUD, and Flat Quarterly), the hybrid REI/HUD formula preserved affordability the best, and the REI formula performed the worst. Even so, the REI/HUD formula has still resulted in affordability losses in nearly all conditions other than the peak of the housing bubble.

We expect that this gradual erosion of affordability will lead to a steady increase in the number of homes that remain unsold after 60 days and ultimately sell to buyers who are above ARCH's income limits

3. The public share of equity in ARCH homes ("Value in Trust") has grown substantially over time

The typical ARCH home was initially sold at a restricted price approximately \$130,000 less than market value, but now has a current formula price that is \$330,000 less than market value. Taken together the difference between affordable prices and market values totals \$274 million. This is the value that ARCH is entrusted to steward.

For most homes (74.2%), the discount relative to market value that the current formula price provides is now larger than it was at initial sale. This means that although the program's resale formulas are allowing a steady erosion of affordability overall, they have nonetheless consistently deepened the homes' market discounts – just not enough to preserve affordability perfectly.

4. ARCH's Homeownership Program has provided meaningful opportunities for homeowners to build equity.

The most common resale formulas found in the program have allowed homeowners to build significant wealth and benefit from a significant portion of their homes' market appreciation. The typical ARCH home's current maximum formula price is approximately \$123,000 more than its initial affordable price.

In total, the program's restricted prices have appreciated by \$94 million. We estimate that for a typical unit, a homeowner who had owned since the unit was placed in ARCH's portfolio would have gained \$65,000 at resale (appreciation minus closing costs and downpayment). This results in a typical rate of return on homeowner's investment of 13.86% annually – nearly double what owners would have earned by investing in the S&P 500.

5. Compliance violations such as subleasing and unauthorized sales represent a small minority of the units in the program.

As of May 2019, ARCH has identified 51 homes (7% of the portfolio) that merited further review for possible compliance violations, either due to mail being forwarded to a different address, an apparent change of ownership, or other reason. Of these, 24 were determined to be in violation (3.5%), 16 were determined to be in compliance, and 11 were still under review. Violations were

categorized as unauthorized sales (1.3%), non-owner occupancy (1.7%), and unauthorized quit claim deed transfers (0.4%).

6. Foreclosures have created meaningful losses in the program, particularly following the economic recession, but have not been a frequent occurrence in recent years.

A total of 43 ARCH properties have experienced a foreclosure (5.8% of the portfolio). Of these, 20 happened without any formal notification to ARCH, and in most cases where ARCH was notified, ARCH was unable to preserve the resale covenants on these homes. This was largely due to ARCH not having the resources readily available for the purpose of purchasing units at risk of foreclosure.

7. ARCH is implementing industry best practices in many areas, but in other areas falls short of the goal of preserving long term affordability. Staffing levels lag significantly behind other successful programs.

ARCH's covenant and other legal documents are state of the art, incorporating many thoughtful and strong protections for the public interest in ARCH homes. But ARCH has been operating with less staff than is necessary to successfully preserve affordability and monitor compliance for such a large portfolio of homes. ARCH has less than one full time staffer dedicated to the program. This means that ARCH has had to take a relatively "hands off" approach to stewardship. Based on a comprehensive review of current practices and procedures, ARCH is currently implementing just over half of the 70 industry best practices covered by the assessment tool.

B. Recommendations

We found many areas where ARCH is implementing proven best practices but we also identified additional steps which ARCH could take to strengthen the homeownership program and greatly improve the likelihood that units would remain affordable over the long term. We made 35 detailed recommendations covering topics including business planning, marketing and buyer selection, initial pricing, resale pricing, mortgage financing, monitoring and enforcement. We have highlighted below the recommendations that seem most impactful.

Expand Staffing

- Add two or three additional full time staff positions including at least one person focused exclusively on the homeownership program.
- In order to help cover the cost of new staffing, develop a plan for implementing new fees at the time of resale to be charged to selling homeowners and/or to new buyers.

Strengthen Enforcement

- Convene a working group of attorneys from partner cities to coordinate short-term enforcement actions and to plan for changes to the legal structure to enable more effective enforcement in the future.

- Adopt a monitoring schedule and an enforcement plan outlining the intended steps that staff should take in the event of each common type of violation.
- Develop a comprehensive program manual (including mission statement) and have it reviewed and approved by the ARCH Board of Directors. Update it periodically – at least every 5 years.

Strengthen Requirements:

- Consider adopting a new resale formula which will better maintain affordability of homes at resale. If possible, update existing homes to the new formula whenever they turnover.
- Develop a strategy for “rebalancing” the pricing limits for units with resale prices that have risen to the point where they are considerably out of reach for their targeted income group.
- Switch to imposing income limits based on applicant household size rather than the size of the unit. Review other buyer eligibility criteria and consider adopting an asset limit and first time buyer requirement.
- Adopt a policy limiting buyers to approved mortgage product types. Consider creating a list of approved or preferred lenders.
- Work with ARCH’s attorneys to develop an approach that allows member cities to record new covenants at each resale, resetting the 30-year affordability period each time.
- Evaluate the feasibility of requiring buyers to participate in a program orientation session with ARCH staff.

Improve Systems

- Purchase HomeKeeper data management software (myHomeKeeper.org) to more efficiently manage program data and track outcomes.
- Create a standard application form for homebuyers in order to capture basic data about each applicant.

2020 ARCH Administrative Budget

Adopted by ARCH Executive Board

SEPTEMBER 12th, 2019

	Adopted 2019 Budget	2020 Recommended Budget	Difference	% Change
I. TOTAL EXPENSES	\$ 724,400	\$ 1,110,097	\$ 385,697	53%
A. Personnel	\$ 655,417	\$ 968,399	\$ 312,981	48%
Salaries	\$ 478,222	\$ 683,084	\$ 204,862	43%
Current Staff (5.0 FTE)	\$ 478,222	\$ 511,084	\$ 32,862	
(New) Program Administrator	\$ -	\$ 86,000	\$ 86,000	
(New) Associate Planner	\$ -	\$ 86,000	\$ 86,000	
Benefits	\$ 177,196	\$ 285,314	\$ 108,118	61%
Current Staff (5.0 FTE)	\$ 177,196	\$ 193,314	\$ 16,118	
(New) Program Administrator	\$ -	\$ 46,000	\$ 31,000	
(New) Associate Planner	\$ -	\$ 46,000	\$ 31,000	
B. Operating	\$ 54,368	\$ 67,195	\$ 12,827	24%
Rent & Utilities	\$ 24,294	\$ 24,780	\$ 486	
Telephone	\$ 4,375	\$ 4,586	\$ 211	
Travel/Training	\$ 2,000	\$ 2,600	\$ 600	
Auto Mileage	\$ 3,342	\$ 3,500	\$ 158	
Copier Costs	\$ 1,750	\$ 1,803	\$ 53	
Office Supplies	\$ 2,800	\$ 3,100	\$ 300	
Office Equipment Service	\$ 2,000	\$ 2,215	\$ 215	
Fax/Postage	\$ 825	\$ 1,500	\$ 675	
Periodical/Membership	\$ 3,992	\$ 4,112	\$ 120	
Misc. (events,etc.)	\$ 1,680	\$ 2,000	\$ 320	
Insurance	\$ 5,310	\$ -	\$ (5,310)	
Equipment Replacement	\$ 2,000	\$ 2,000	\$ -	
Furnishings			\$ -	
Database/software licensing		\$ 15,000		
C. In-Kind Admin/Services	\$ 14,615	\$ 19,503	\$ 4,888	33%
Insurance	\$ 5,000	\$ 9,660	\$ 4,660	
IT Services	\$ 9,615	\$ 9,843	\$ 228	
D. Grants and Consultant Contracts	\$ -	\$ 55,000	\$ 55,000	N/A
Consultant Contracts / Interns	\$ -	\$ 55,000	\$ -	
Special Grants	\$ -	\$ -	\$ -	

	Adopted 2019 Budget	2020 Recommended Budget	Difference	% Change
II. TOTAL INCOME	\$ 724,221	\$ 1,110,097	\$ 385,876	53%
A. Member Contributions	\$ 720,021	\$ 1,103,897	\$ 383,876	53%
Beaux Arts Village	\$ 1,750	\$ 2,000	\$ 250	14%
Bellevue	\$ 185,905	\$ 281,876	\$ 95,971	52%
Bothell	\$ 58,811	\$ 89,384	\$ 30,573	52%
Clyde Hill	\$ 4,193	\$ 6,551.43	\$ 2,358	56%
Hunts Point	\$ 1,750	\$ 2,000	\$ 250	14%
Issaquah	\$ 45,217	\$ 72,244	\$ 27,027	60%
Kenmore	\$ 29,793	\$ 44,921	\$ 15,128	51%
Kirkland	\$ 115,019	\$ 175,946	\$ 60,927	53%
Medina	\$ 4,221	\$ 6,523	\$ 2,302	55%
Mercer Island	\$ 33,327	\$ 50,222	\$ 16,895	51%
Newcastle	\$ 14,974	\$ 23,006	\$ 8,032	54%
Redmond	\$ 78,584	\$ 123,104	\$ 44,520	57%
Sammamish	\$ 80,784	\$ 127,494	\$ 46,710	58%
Woodinville	\$ 15,466	\$ 23,673	\$ 8,207	53%
Yarrow Point	\$ 1,750	\$ 2,401	\$ 651	37%
King County	\$ 48,477	\$ 75,000	\$ 26,523	55%
Bellevue Detail	\$ 185,905	\$ 281,876	\$ 95,971	
Cash Contributions	\$ 8,085	\$ 86,673	\$ 78,588	
In-Kind Contributions	<u>\$ 177,820</u>	<u>\$ 195,203</u>	<u>\$ 17,383</u>	
Personnel	\$ 163,205	\$ 175,700	\$ 12,495	
Insurance	\$ 5,000	\$ 9,660	\$ 4,660	
IT Services	\$ 9,615	\$ 9,843	\$ 228	
B. Other Income	\$ 4,200	\$ 6,200	\$ 2,000	
Administrative Fees	\$ 4,200	\$ 4,200	\$ -	
Interest Earned	\$ -	\$ 2,000	\$ 2,000	
III. USE OF RESERVES	\$ 179	\$ -	\$ (179)	

IV. CONTINGENT INCOME AND EXPENSES

Note: This section reflects potential opportunities for ARCH to provide additional services if new fee revenue is realized.

A. Contingent Expenses

Staffing or Consultants	\$ -	\$ 150,000	\$ 150,000	N/A
Additional Services	\$ -	\$ 150,000	\$ 150,000	N/A

B. Contingent Revenue

Resale/Monitoring Fees	\$ -	\$ 150,000	\$ 150,000	N/A
Service Fees	\$ -	\$ 150,000	\$ 150,000	N/A

ARCH WORK PROGRAM: 2020

2020 Priorities

In 2020, ARCH will elevate the following priorities in its Work Program:

- Provide excellent stewardship of affordable housing assets
- Develop measurable goals for production and preservation of affordable housing in the ARCH region
- Advance an initiative with high potential for impact (i.e., Eastside Equitable TOD Plan)
- Continue to support proposals for dedicated revenue sources for affordable housing
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission

I. AFFORDABLE HOUSING INVESTMENT

A. ARCH Housing Trust Fund

Parity Goals. Develop updated goals for member investments through the ARCH HTF.

Annual Funding Round. Develop funding priorities and evaluation criteria for the annual funding round. Advertise available funds and manage a competitive process on behalf of member cities. Review funding applications and develop recommendations through the Citizen Advisory Board (CAB), with input from member staff. Develop final recommendations by the ARCH Executive Board and facilitate final funding allocations through member councils.

Public Funding Coordination. Work collaboratively with public funders at the State and local levels to promote shared affordable housing goals and equitable geographic distribution of resources. Review and provide input to other funders for Eastside projects that apply for County (HOF, RAHP, HOME, TOD etc.) and State (Tax Credit, State Housing Trust Fund) funds. Provide input to the King County Joint Recommendations Committee (JRC) on behalf of participating Eastside jurisdictions. Assist N/E consortium members with evaluating and making a recommendation to the County regarding CDBG allocations to affordable housing.

Private Funding Coordination. Work with private investors and lenders to maximize leverage of public investment into affordable housing. Negotiate maximum public benefits from investment of housing funds into private projects.

Project Pipeline Management. Work with member cities and project sponsors to develop a robust pipeline of projects to be funded over the next five years (see related work on Transit Center sites, below). Actively vet potential HTF projects, and lead funding policy and prioritization discussions with the ARCH Executive Board to facilitate planning and decision-making.

Contract Development and Monitoring. Prepare contract documents and distribute funds for awarded projects. Monitor funded projects including evaluating performance and tracking loan payments. Monitor for long term sustainability of previously funded projects.

Centralized Trust Fund Reporting. Work with Administering Agency (Bellevue) to maintain records and produce regular financial reports for the ARCH Trust Fund accounts.

B. Special Projects

Transit-Oriented Development Sites. Assist cities with advancing and coordinating affordable housing projects near transit. Partner with Sound Transit, King County Metro and other public agencies to maximize opportunities on public property. Current opportunities include sites in Bel-Red, Overlake, Downtown Redmond, Issaquah, Kirkland, Bothell, and Kenmore.

Surplus Property/Underdeveloped Property. Assist with evaluation of public surplus or underutilized private property (e.g. faith community properties) for suitability of affordable housing. Provide technical assistance to property owners interested in supporting affordable housing. Develop an inventory of promising public and nonprofit property and begin to engage owners to gauge interest in disposition for housing.

Eastside Shelter Capacity. Support efforts by Eastside shelter providers, Eastside Human Services Forum, and member cities to implement an East King County sub-regional strategic approach to shelter and related services for homeless adults and families. Support the completion of construction of a permanent women and family shelter, and continue supporting efforts to construct a permanent year-round men's shelter.

Preservation of At Risk Affordable Housing. As needed, assist with responding to notices of sale of HUD assisted properties received by member cities, or other information indicating an impending loss of existing affordable housing. Work with member cities to facilitate acquisitions or other strategies to preserve existing housing where affordability is at risk of being lost.

II. HOUSING POLICY AND PLANNING

A. Local Policy, Planning and Code Development

ARCH provides assistance directly to member cities on a range of local planning efforts. Local planning efforts with individual member cities may be found in *Attachment A*. These efforts may take different forms, such as:

- **Housing Element Updates.** Work with members to update comprehensive plan housing elements.
- **Housing Strategy Plans.** Assist members to prepare housing strategies to implement housing elements and create council work plans. Cities with recently completed strategy plans include Bellevue, Issaquah, Kenmore, Bothell, Kirkland, Redmond, and Sammamish.
- **Incentive Program Design.** Provide economic analysis and policy and program development support to design housing incentive programs, including land use, property tax, impact fee waivers and other incentives.
- **Land Use Code Amendments.** Assist city staff on land use and other code amendments in order to implement comprehensive plan policies.
- **Other Support.** Other areas in which ARCH could provide support to member cities include preservation of valuable community housing assets, assistance to households displaced by development activity, or negotiation of agreements for specific development proposals. ARCH views this as a valuable service to its members and will continue to accommodate such requests to the extent they do not jeopardize active work program items.

B. Inter-Local / Eastside Planning Activities

Interlocal planning activities are coordinated by ARCH for the benefit of multiple members.

ARCH Regional Affordable Housing Goals and Reporting. Work with member staff and the ARCH Executive Board to develop measurable goals for production and preservation of affordable housing across ARCH member communities. Explore working with King County to utilize dashboards created for the GMPC Affordable Housing Committee.

Eastside Equitable Transit-Oriented Development Plan. Partner with transit agencies and other stakeholders to create a plan for implementation of equitable transit-oriented development on the Eastside. The plan will aim to define shared policy goals and strategies, establish numerical goals for affordable unit production, identify specific site opportunities/affordable housing pipeline, and include commitments by partner agencies to utilize available tools and resources.

Long-Term Funding/Dedicated Revenue Strategy. Continue work on a long-term funding strategy for the ARCH Trust Fund. Facilitate conversations with member cities on identifying and exploring dedicated sources of revenue for affordable housing at the local and regional level (e.g., REET, property tax levy, 0.1% sales tax, etc.). Provide relevant data and develop options for joint or individual revenue approaches across ARCH member cities and determine any shared state legislative priorities to authorize local options for funding.

Eastside Housing Data Analysis. On an annual basis, ARCH provides housing and demographic data as available. This information is available to members for planning efforts and will be incorporated into ARCH education fliers and an updated Housing 101 report.

Housing Diversity/Accessory Dwelling Units (ADUs). Continue to support a diversity of housing options among member cities:

- Accessory Dwelling Units (ADUs): Explore outreach and other ways to promote ADU development (e.g., improve online resources, provide connections to financing options). Explore partnership with eCityGov Alliance to increase accessibility of ADU permitting (e.g., update tip sheets and create streamlined portal through MyBuildingPermit.com).

C. State Legislative Activities

The ARCH Executive Board will discuss and explore shared legislative priorities for advancing affordable housing in the region. ARCH staff will track relevant state (and, where feasible, federal) legislation. As needed, staff will report to the Executive Board and members, and coordinate with relevant organizations (e.g. AWC, SCA, WLIHA, HDC) to advance shared legislative priorities.

D. Regional/Countywide Planning Activities

ARCH participates in regional planning efforts to advance Eastside priorities and ensure that perspectives of communities in East King County are voiced in regional housing and homelessness planning.

King County GMPC Affordable Housing Committee / Housing Inter-Jurisdictional Team (HIJT). Support efforts to advance the five-year action plan developed by the Regional Affordable Housing Task Force in 2018. ARCH will help staff the HIJT, which provides support to the Growth Management Planning Council's Affordable Housing Committee (AHC). In addition, ARCH will facilitate discussions as needed with members and the Executive Board to consider actions recommended in the five-year plan.

All Home/ Eastside Homeless Advisory Committee (EHAC). Collaborate with All Home, EHAC and other relevant organizations and initiatives to advance shared work on homelessness. Coordinate allocation of resources, and work on specific initiatives (e.g., coordinated entry and assessment for all populations).

Explore Collaboration with Cities in North and East King County. As requested, engage cities interested in supporting affordable housing in north and east King County that are not currently members of ARCH. Explore collaboration that provides benefits for additional cities and current ARCH member cities.

III. HOUSING PROGRAM IMPLEMENTATION

A. Administration of Housing Incentive and Inclusionary Programs

ARCH partners with member cities to administer local housing incentive and inclusionary programs, including mandatory inclusionary, voluntary density bonus, multifamily tax exemption (MFTE) and other programs. Specific programs administered by ARCH include:

Jurisdiction	Incentive/Inclusionary Programs
Bellevue	Voluntary density bonuses, MFTE, impact fee waivers.
Bothell	Inclusionary housing.
Issaquah	Development agreements, voluntary and inclusionary programs, impact and permit fee waivers.
Kenmore	Voluntary density bonuses, MFTE, impact fee waivers.
Kirkland	Inclusionary program, MFTE.
Mercer Island	Voluntary density bonus, MFTE.
Newcastle	Inclusionary program, impact fee waivers.
Redmond	Inclusionary program, MFTE.
Sammamish	Inclusionary and voluntary density bonuses, impact fee waivers.
Woodinville	MFTE.
King County	Development agreements.

ARCH roles and responsibilities will typically include:

- Communicate with developers/applicants and city staff to establish applicability of codes and policies to proposed developments
- Review and approve proposed affordable housing (unit count, location/distribution, bedroom mix, and quality)
- Review and recommend approval of MFTE applications.
- Review and recommend approval of alternative compliance proposals
 - For fee in lieu projects, provide invoices and receipts for developer payments
- Develop contracts and covenants containing affordable housing requirements
- Ensure implementation of affordable housing requirements during sale/lease-up
- Register MFTE certificates with County Assessor and file annual MFTE reports with state Commerce.
- On-going compliance monitoring (see Stewardship, below).

[MyBuildingPermit.com](https://mybuildingpermit.com). Explore feasibility of using MyBuildingPermit.com to take in, review, and process projects (covenants) using land use and/or MFTE programs.

B. Stewardship of Affordable Housing Assets

ARCH provides long-term oversight of affordable housing created through city policies and investment to ensure stewardship of these critical public assets for residents, owners and the broader community.

Monitoring Affordable Rental Housing. Enforce ongoing compliance with affordability requirements in rental housing projects created through direct assistance (e.g. Trust Fund allocation, land donations) from member jurisdictions, and through incentive and inclusionary programs. For Trust Fund projects, monitor project income and expenses to determine cash flow payments, and conduct long-term sustainability monitoring of projects and owners. Proactively problem-solve financial and/or organizational challenges in partnership with project owners and other funders.

Dedicate new staff to developing a more robust program of monitoring and enforcement, including developing procedures for on-site file audits, standard remedies for non-compliance, and training and technical assistance for property managers. In addition, work with cities to implement fee structures that build more sustainable monitoring efforts, and develop formal MOUs with other funders to govern shared monitoring responsibilities. To the extent feasible, establish working relationship with other public organizations that can help assess how well properties are maintained and operated (e.g. code compliance, police, and schools).

ARCH Homeownership Program. Provide effective administration to ensure ongoing compliance with affordability and other requirements in ARCH ownership housing, including enforcement of resale restrictions, buyer income requirements, and owner occupancy requirements. In addition, work with cities to address non-compliance.

Dedicate new staff to continue implementing changes to monitoring policies and procedures recommended in the 2019 Program Assessment from Street Level Advisors, including but not limited to:

- Convene member planning and legal staff to implement revisions to boilerplate legal documents, in consultation with key stakeholders.
- Institute regular monitoring schedule to verify owner occupancy
- Develop fee revenue policies to improve sustainability of program administration
- Develop strategies to preserve homes at risk of foreclosure
- Continue to evaluate staff capacity to maintain oversight as the number of ARCH homes continues to grow.

In addition, develop a strategic direction for the program that preserves long-term affordability and meets other important public policy objectives.

Program Database Development. Continue to transition ARCH to new database systems to better manage existing and to be collected program data and support other critical functions, including creation of program reports, project compliance monitoring, communication with program participants, and other functions.

IV. EDUCATION AND OUTREACH

A. Housing 101/Education Efforts

Housing 101. Develop educational tools and conduct or support events to inform councils, member staff and the broader community of current housing conditions, and of successful housing programs. Build connections with community groups, faith communities, developers, nonprofits and others interested in housing issues. Plan and conduct a Housing 101 event to occur no later than the end of 2020.

Private Sector Engagement. Support efforts by ARCH member cities to engage employers and private sector entities in discussions around the need for more affordable housing and identifying options for public-private partnerships.

Share media coverage on topics related to affordable housing in East King County, including work done by cities/ARCH.

B. Information for the Public

ARCH Website. Update on a regular basis information on the ARCH website, including information related to senior housing opportunities. Maintain the ARCH web site and update the community outreach portion by incorporating information from Housing 101 East King County, as well as updated annual information, and links to other sites with relevant housing information (e.g. All Home, HDC). Add information to the website on ARCH member affordable incentive programs and fair housing.

Assist Community Members Seeking Affordable Housing. Maintain lists of affordable housing in East King County (rental and ownership) and make that information available to people looking for affordable housing. Continue to maintain a list of households interested in affordable ownership and rental housing and advertise newly available housing opportunities.

Work with other community organizations and public agencies to develop appropriate referrals for different types of inquiries received by ARCH (e.g., rapid re-housing, eviction prevention, landlord tenant issues, building code violations, fair housing complaints, etc.).

C. Equitable Access to Affordable Housing in East King County

Collect data on existing programs to determine potential gaps in access by different populations, such as communities of color, immigrant and refugee communities, homeless individuals and families, and workers in EKC commuting from other communities. Pursue strategies to increase access to affordable housing in EKC by underserved communities. Develop outreach and marketing efforts to maximize awareness of affordable housing opportunities in East King County, and build partnerships with diverse community organizations.

V. ADMINISTRATION

A. Administrative Procedures

Maintain administrative procedures that efficiently and transparently provide services to both members of ARCH and community organizations utilizing programs administered through ARCH. Activities include:

- Prepare the Annual Budget and Work Program and ensure equitable allocation of administrative costs among ARCH members.
- Prepare quarterly budget performance and work program progress reports, Trust Fund monitoring reports, and monitor expenses to stay within budget.
- Manage the ARCH Citizen Advisory Board, including recruiting and maintaining membership that includes broad geographic representation and a wide range of housing and community perspectives.
- Staff the Executive Board.
- Work with Administering Agency to streamline financial systems.
- Renew the ARCH Interlocal Agreement.

B. Organizational Assessment and Planning

The ARCH Executive Board will continue to evaluate ARCH's organizational capacity to accomplish its Work Program and broader mission. The Board will review ARCH's organizational structure, staffing resources, capital resources and other foundational aspects of the organization to determine any gaps, and assess options for expanding organizational capacity. The assessment will result in recommendations for the following year's work program and budget, and a decision to renew or recommend revisions to the ARCH Interlocal Agreement.

Attachment A
Local Planning Efforts by City

ARCH staff plan to assist members' staff, planning commissions, and elected councils in the following areas:

Bellevue

Implementing Bellevue's Affordable Housing Strategy, including:

- Increasing development potential on suitable land owned by public agencies, faith-based groups, and non-profits housing entities.
- Reviewing parking requirements and other code changes to encourage micro-apartments around light rail stations.
- Updating Wilburton and East Main neighborhood plans, including affordable housing density incentives.
- Developing funding strategy for affordable housing on suitable public lands in proximity to transit hubs including 130th TOD parcels and TOD parcels at the OMFE.

Bothell

Implementing its Housing Strategy Plan.

Establishing an MFTE program.

Evaluating affordable housing provisions related to zoning and other code amendments and implementing those adopted.

Work related to affordable housing component of the city's LIFT program in their downtown areas. Includes assisting with any reporting requirements and potentially exploring additional opportunities for affordable housing on city owned properties in the downtown revitalization area.

Evaluating the updated state legislation regarding impact fee waivers for affordable housing and explore potential revisions to local regulations related to impact fee waivers for affordable housing.

Evaluating and implementing affordable housing strategies in its Canyon Park plan.

Issaquah

Preparing the annual Affordable Housing Report Card/Analysis.

Updating and consolidating Title 18 and Central Issaquah Development and Design Standards.

Evaluating and, as needed, implementing development standards and regulations related to the housing policies adopted in the Central Issaquah Plan and Central Issaquah Standards, including inclusionary zoning.

Evaluating and strategizing sequencing potential projects/opportunities such as those near transit facilities, including coordination with potentially utilizing the King County TOD funds.

Initial work on high priority strategies identified in the Housing Strategy Work Plan including:

- Improving marketing and the understanding of ADUs and the development process.
- Facilitating development of a TOD.
- Amending codes to increase allowed diverse housing types such as SROs and cottage housing.
- Supporting housing options and services to assist people experiencing housing insecurity and those with barriers to independent living.

Marketing and maximizing awareness of affordable housing opportunities in Issaquah.

Kenmore

Implementing a high priority item identified in the Housing Strategy Plan.

Completing the Preservation of Affordable Housing/Mobile Home Park project started in 2018, including assistance with developing regulations to implement Council's policy direction on land use and other strategies.

Reviewing current code provisions and permitting process for Accessory Dwelling Units (ADUs).

Assisting with technical questions and negotiating agreements where affordable housing is proposed including the Transit Oriented District (TOD) overlay.

Reviewing and developing options and opportunities for partnerships to incorporate affordable housing into transit projects including the siting of parking structures in Kenmore for the Sound Transit ST3 proposal.

Kirkland

Implementing programs to encourage construction of more ADUs.

Housing-related issues in on-going neighborhood plan updates.

Developing regulations to promote transit-oriented development (TOD) at the Kingsgate Park and Ride, including affordable housing.

Housing issues that come before Council Planning and Economic Development Committee and resulting initiatives.

Housing issues related to Station Area Plan (I-405/NE 85th Street).

Affordable housing preservation efforts and initiatives.

Mercer Island

Reviewing the City's MFTE program and evaluating options for a fee-in-lieu alternative to land use requirements.

Updating the Housing Strategy Plan.

Reviewing components of residential development standards that are associated with housing stock diversity.

Newcastle

Updating the Housing Strategy Plan.

Outreach efforts related to ADUs.

Redmond

Implementing strategies to increase the level of affordability for new housing in Overlake and Southeast Redmond as part of the development of master plans and development agreements, including exploring ways to leverage other resources.

Promoting affordable housing and other programs available to Redmond residents and developers, e.g., Accessory Dwelling Units (ADUs).

Implementing other high priority items identified in the City Council's 2019 Strategic Plan.

Updating the Strategic Housing Plan and the Affordable Housing Strategies Work Plan of June 2016, such as encouraging public/private partnerships to promote the development of affordable housing in urban centers.

Sammamish

Implementing the Housing Strategy Plan.

Finalizing resale requirements and other tasks related to the affordability provisions for site donated to Habitat.

Exploring impacts to and solutions for affordable housing related to code and policy updates during legislative review.

Promoting available housing assistance and affordable housing programs to Sammamish's workforce and residents.

Woodinville

Updating the Housing Strategy Plan.

Reviewing and updating affordable housing and accessory dwelling unit programs and regulations.

Evaluating and developing incentives for affordable housing as provided for in the Downtown/Little Bear Creek Master Plan area.

Reviewing components of residential development standards that are associated with housing stock diversity.

King County

Monitoring affordable housing in the Northridge/Blakely Ridge and Redmond Ridge Phase II affordable housing development agreements.

ARCH Housing Trust Fund Parity Goals
(as of September 2019*)

City	2019 General Fund Contributions	2019 CDBG	Low Goal	High Goal	Estimated HB 1406 Revenue**
Beaux Arts Village	\$0	-	\$53	\$1,816	494
Bellevue	\$412,000	-	\$681,807	\$1,054,164	591,847
Bothell	\$78,000	-	\$173,394	\$314,235	54,336
Clyde Hill	\$25,000	-	\$0	\$18,431	5,609
Hunts Point	\$2,500	-	\$0	\$2,542	1,246
Issaquah	\$153,000	-	\$170,941	\$348,067	125,467
Kenmore	\$40,000	-	\$53,297	\$179,420	19,752
Kirkland	\$415,000	\$128,012	\$343,916	\$528,052	195,134
Medina	\$12,340	-	\$0	\$19,642	9,103
Mercer Island	\$50,000	-	\$17,766	\$146,903	36,318
Newcastle	\$27,000	-	\$13,058	\$75,116	11,564
Redmond	\$500,000	\$123,308	\$296,200	\$613,357	255,488
Sammamish	\$100,000	-	\$31,978	\$384,176	52,235
Woodinville	\$50,000	-	\$56,589	\$151,633	57,205
Yarrow Point	\$1,750	-	\$0	\$6,446	2,280
N/E CDBG		\$113,302	N/A	N/A	N/A
Total	\$1,764,090	\$364,622	\$1,839,000	\$3,844,000	1,418,078
Total = \$2,128,172			Midpoint = \$2,841,500		

*Goals are updated based on the most recent annual CPI figures.

**Based on 2018 revenues. Actual tax authority will be established based on state fiscal year 2019 sales.

ARCH Operations Update & Administrative Budget and Work Plan



AB 5626 | November 19, 2019

Agenda

Item 1.

1. ARCH update on program operations and the Homeownership Program
2. Overview of ARCH 2020 Budget and Work Plan

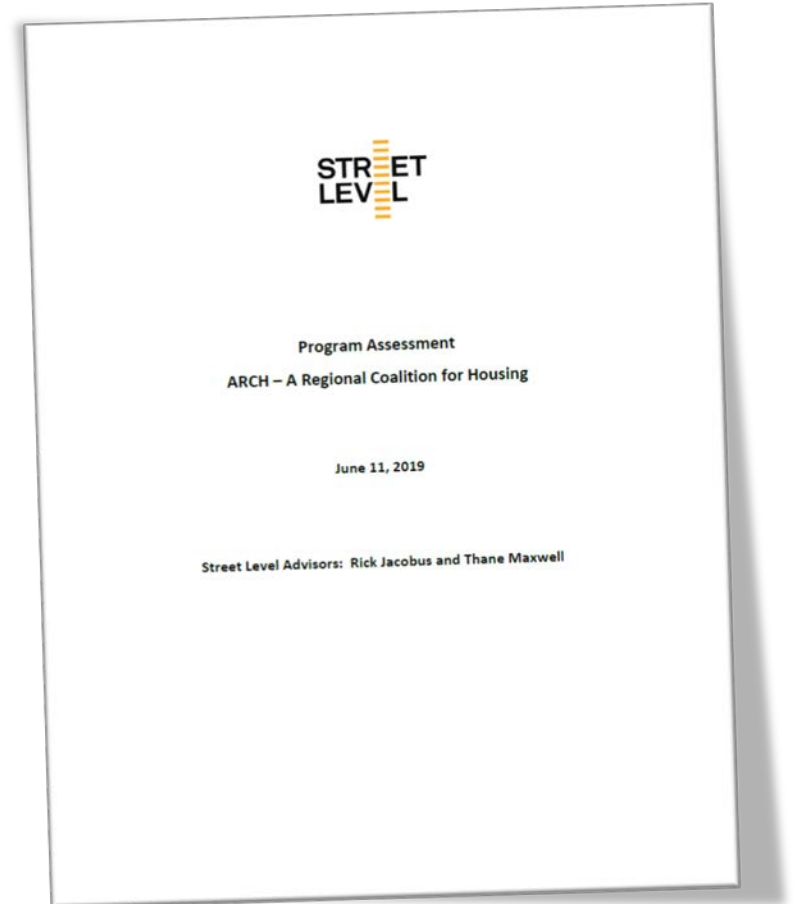
- News reports beginning in October 2018 identified compliance concerns in the ARCH Homeownership Program
- ARCH audited the ~700 units in the program, identified 3 types of compliance issues
 - Foreclosures
 - Non-owner occupancy
 - Sales or transfers without proper notification
- ARCH conducted follow-up investigations on 50+ units
- Identified compliance violations in 25 units (3.6% of the total portfolio)

Consultant Report

- In February 2019 ARCH hired Street Level Advisors
- Additional support for audit of ownership units
 - Analyzed data on current status of ARCH homes to identify compliance issues
- Program assessment of Homeownership Program:
 - Compiled data on affordable pricing and current resale formula values for each home to understand ARCH's performance in maintaining affordability and growing equity for homeowners
 - Administered assessment of industry best practices for affordable homeownership programs
 - Summarized key findings and recommended changes in policies and procedures to strengthen the Homeownership Program

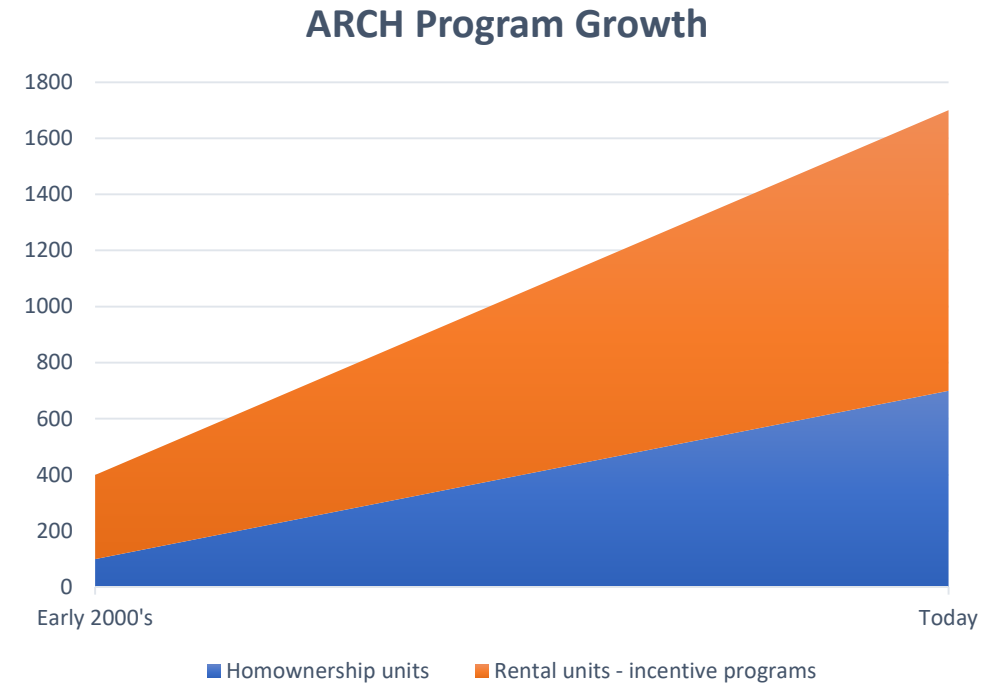
Consultant Report

- Program Assessment released in June 2019
- Key findings:
 - The program has succeeded in providing affordable homeownership opportunities while also preserving significant affordability over time
 - Some affordability has been lost due to rising home prices and the intricacies of resale formulas; some units have also been lost due to foreclosure
 - Compliance violations represent a small % of units; ARCH is already implementing more than half of the industry best practices
 - The program has grown substantially and there is now a need for additional capacity and more active monitoring and enforcement



Consultant Report

- Bottom Line: Staffing levels have not kept pace with program growth
 - Housing units quadrupled
 - Staffing level unchanged (5 FTE)
- More staffing is needed to avoid additional compliance violations and to ensure the growing number of units are preserved and used for their intended purpose



ARCH Action Steps

- Enforcement - working with individual jurisdictions' legal counsels
 - Majority of homeowners selling to new qualified buyers
- Increasing staff capacity by 2 FTE
 - 1 to support homeownership program, 1 to support rental housing program
 - Adds capacity for monitoring and enforcement, as well as supporting long-term affordability preservation
- Hiring consultant to recommend changes to the ARCH resale formula and level of resale fees
- Convening a working group of attorneys to improve legal documents to better position jurisdictions to ensure program objectives are met

Questions on the consultant report?

Administrative Budget

- Total 2020 administrative budget = \$1,110,097
- 53% increase over 2019 budget
 - Make permanent 2 new staff positions to provide additional capacity to administer the Homeownership Program and monitor compliance with rental housing covenants
- Increase Mercer Island's contribution to \$50,222
 - Error in AB 5627 – budgeted amount should be \$30,990
 - Requires increase of \$16,232

Housing Trust Fund

- Mercer Island budgeted \$50,000 contribution for 2020
- Fall 2019 Funding Round:
 - Project selection now underway
 - Approx. \$6M in available funds
 - Councils will approve recommended projects in first half of 2020
- HB 1406 will generate approximately \$36,000, some or all could be contributed to the Housing Trust Fund
 - This decision will come back to Council in Q1 2020

Work Plan

- 5 Priorities for 2020:
 1. Provide excellent stewardship of affordable housing assets
 2. Develop measurable goals for production and preservation of affordable housing in the ARCH region
 3. Advance an initiative with high potential for impact (i.e. Eastside Equitable TOD Plan)
 4. Continue to support proposals for dedicated revenue sources for affordable housing
 5. Evaluate options for expanding ARCH's capacity to accomplish its broader mission

Work Plan

- Core areas of work plan:
 - I. Affordable housing investment
 - II. Housing policy and planning
 - III. Housing program implementation
 - IV. Education and outreach
 - V. Administration
- Mercer Island specific work:
 - Oversight of existing affordable units
 - Policy/planning support :
 - Technical assistance/negotiating agreements with development projects seeking to include affordable housing
 - Review of the MFTE program and fee-in-lieu options
 - Housing Element/Housing Strategy Plan (2021)

Questions on the Budget or Work Plan?

Next Steps

Item 1.

- Tonight: approve ARCH 2020 administrative budget and work plan
- Q1 2020: if the budget is approved, staff will bring back a budget amendment related to the approximately \$17,000 in additional funds needed to support the ARCH budget. Staff will also bring an amendment related to appropriation of the HB 1406 revenue.

CERTIFICATION OF CLAIMS

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered, or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the City of Mercer Island, and that I am authorized to authenticate and certify to said claim.



Finance Director

I, the undersigned, do hereby certify that the City Council has reviewed the documentation supporting claims paid and approved all checks or warrants issued in payment of claims.

Mayor

Date

<u>Report</u>	<u>Warrants</u>	<u>Date</u>	<u>Amount</u>
Check Register	200742 -200752	11/04/2019	\$ 142,359.13 \$ 142,359.13

Accounts Payable Report by GL Key

Item 2.

PO #	Check #	Vendor:	Transaction Description	Check Amount
<i>Org Key: 001000 - General Fund-Admin Key</i>				
P0102963	00200750	WA ST REVENUE	2019 3RD QTR LEASEHOLD EXCISE	2,698.16
<i>Org Key: 814083 - Vol Life Ins - States West Lif</i>				
	00200742	AWC	NOVEMBER 2019	453.30
<i>Org Key: CA1100 - Administration (CA)</i>				
	00200749	PARK, BIO	WSANA CINFERENCE EXPENSES	454.64
	00200749	PARK, BIO	MILEAGE EXPENSE	18.33
<i>Org Key: FR0000 - Fire-Revenue</i>				
	00200744	LAWLER, DORIS	REFUND DOUBLE PAYMENT	527.50
<i>Org Key: GGM005 - Genera Govt-L1 Retiree Costs</i>				
	00200746	LEOFF HEALTH & WELFARE TRUST	NOV 2019 POLICE RETIREES	5,989.60
	00200745	LEOFF HEALTH & WELFARE TRUST	NOVEMBER 2019 FIRE RETIREES	2,994.80
<i>Org Key: GX9996 - Employee Benefits-Police</i>				
	00200746	LEOFF HEALTH & WELFARE TRUST	NOV 2019 POLICE ACTIVE	52,148.38
	00200746	LEOFF HEALTH & WELFARE TRUST	NOV 2019 POLICE SUPPORT	5,234.85
<i>Org Key: GX9997 - Employee Benefits-Fire</i>				
	00200745	LEOFF HEALTH & WELFARE TRUST	NOVEMBER 2019 FIRE ACTIVE	62,010.95
	00200746	LEOFF HEALTH & WELFARE TRUST	NOV 2019 BILLING ADJUSTMENTS	0.03
<i>Org Key: MT2500 - ROW Administration</i>				
	00200748	MORALES, NELSON	CDL EXPENSES	333.75
<i>Org Key: MT3150 - Water Quality Event</i>				
	00200743	FENHAUS, JACOB	CDL SCHOOL SKILLS TEST	255.25
	00200747	MARTIN, ERIC	CDL SCHOOL SKILLS TEST	255.25
<i>Org Key: PR0000 - Parks & Recreation-Revenue</i>				
P0102963	00200750	WA ST REVENUE	2019 3RD QTR LEASEHOLD EXCISE	2,467.85
<i>Org Key: ST0020 - ST Long Term Parking</i>				
P0105618	00200751	PARKWAY CENTER MANAGEMENT GRP	November 2019 Rent - Tully's S	6,200.00
<i>Org Key: YF2600 - Family Assistance</i>				
	00200752	SHOREWOOD #14885	PARTIAL PYMT FOR EMERG ASST CL	316.49
Total				142,359.13

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00200742	10/28/2019	AWC NOVEMBER 2019		OH012509	10/25/2019	453.30
00200743	10/28/2019	FENHAUS, JACOB CDL SCHOOL SKILLS TEST		OH012514	10/23/2019	255.25
00200744	10/28/2019	LAWLER, DORIS REFUND DOUBLE PAYMENT		OH012516	10/21/2019	527.50
00200745	10/28/2019	LEOFF HEALTH & WELFARE TRUST NOVEMBER 2019 FIRE RETIREES		OH012511	10/24/2019	65,005.75
00200746	10/28/2019	LEOFF HEALTH & WELFARE TRUST NOV 2019 POLICE RETIREES		OH012510	10/24/2019	63,372.86
00200747	10/28/2019	MARTIN, ERIC CDL SCHOOL SKILLS TEST		OH012515	10/23/2019	255.25
00200748	10/28/2019	MORALES, NELSON CDL EXPENSES		OH012517	10/18/2019	333.75
00200749	10/28/2019	PARK, BIO WSANA CINFERENCE EXPENSES		OH012513	10/22/2019	472.97
00200750	10/28/2019	WA ST REVENUE 2019 3RD QTR LEASEHOLD EXCISE	P0102963	OH012508	10/28/2019	5,166.01
00200751	10/30/2019	PARKWAY CENTER MANAGEMENT GRP November 2019 Rent - Tully's S	P0105618	OH012518	11/01/2019	6,200.00
00200752	11/04/2019	SHOREWOOD #14885 PARTIAL PYMT FOR EMERG ASST CL		OH012519	10/31/2019	316.49
					Total	<u>142,359.13</u>

CERTIFICATION OF CLAIMS

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered, or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the City of Mercer Island, and that I am authorized to authenticate and certify to said claim.



Finance Director

I, the undersigned, do hereby certify that the City Council has reviewed the documentation supporting claims paid and approved all checks or warrants issued in payment of claims.

Mayor

Date

<u>Report</u>	<u>Warrants</u>	<u>Date</u>	<u>Amount</u>
Check Register	200753 -200817	11/06/2019	\$ 446,575.91
			\$ 446,575.91

Accounts Payable Report by GL Key

Item 2.

PO #	Check #	Vendor:	Transaction Description	Check Amount
<i>Org Key: 402000 - Water Fund-Admin Key</i>				
P0103047	00200788	LIGHTING GROUP NORTHWEST	INVENTORY PURCHASES	23,980.00
	00200757	BG CONSTRUCTION LLC	PERMIT REFUND	3,614.00
	00200761	CHOW, RON	OVERPAYMENT REFUND	914.11
	00200757	BG CONSTRUCTION LLC	PERMIT REFUND	750.00
	00200753	ACKLEY, ANDREW & COURTNEY	OVERPAYMENT REFUND	344.36
	00200755	ANDERSON, MARTIN & BETH	OVERPAYMENT REFUND	215.25
<i>Org Key: 814072 - United Way</i>				
	00200812	UNITED WAY OF KING CO	PAYROLL EARLY WARRANTS	80.00
<i>Org Key: 814074 - Garnishments</i>				
	00200811	UNITED STATES TREASURY	PAYROLL EARLY WARRANTS	780.30
<i>Org Key: 814075 - Mercer Island Emp Association</i>				
	00200790	MI EMPLOYEES ASSOC	PAYROLL EARLY WARRANT	302.50
<i>Org Key: 814085 - GET Program Deductions</i>				
	00200768	GET Washington	PAYROLL EARLY WARRANTS	250.00
<i>Org Key: CM1200 - City Clerk</i>				
P0105637	00200808	SOUND PUBLISHING INC	Ntc. 9/11 Ord. 19-12 2424446	56.26
P0105637	00200808	SOUND PUBLISHING INC	Ntc. 9/25 Meeting Change 24241	46.93
<i>Org Key: CR1100 - Human Resources</i>				
	00200807	SEGLE, KRYSS	PER DIEM REIMB	147.50
	00200807	SEGLE, KRYSS	MILEAGE EXPENSE	77.72
<i>Org Key: CT1100 - Municipal Court</i>				
	00200814	WORRALL, DEBORA	JUROR SERVICE REIMB	23.92
	00200769	GREENLAW, ALISON	JUROR SERVICE REIMB	23.22
	00200803	REICHSTEIN, VALERIE	JUROR SERVICE REIMB	22.53
	00200772	GUERRERO, HEIDI	JUROR SERVICE REIMB	18.82
	00200780	JEONG, GA	JUROR SERVICE REIMB	18.47
	00200786	LEE, SUSAN	JUROR SERVICE REIMB	18.00
	00200771	GUAN, RYAN	JUROR SERVICE REIMB	15.10
	00200776	HENTON, LUCAS	JUROR SERVICE REIMB	14.99
	00200795	MUTCHEK, BRENDAN	JUROR SERVICE REIMB	14.99
	00200804	ROCHFORD, LAURA	JUROR SERVICE REIMB	13.83
	00200817	ZHANG, WEIGUO	JUROR SERVICE REIMBURSEMENT	11.39
	00200764	CRUZEN, SHANNON	JUROR SERVICE REIMB	10.25
<i>Org Key: DS0000 - Development Services-Revenue</i>				
	00200754	AMLA HOLDINGS LLC	PERMIT REFUND	1,153.60
	00200805	SACHAN, HITESH & POOJA	PERMIT REFUND	827.20
	00200757	BG CONSTRUCTION LLC	PERMIT REFUND	483.20
	00200802	REDMOND ROOFING	PERMIT REFUND	129.37
	00200770	GREENWOOD HEATING & A/C	PERMIT REFUND	104.80
	00200798	NORTHWEST SECURITY & SOUND	PERMIT REFUND	104.80
	00200754	AMLA HOLDINGS LLC	PERMIT REFUND	34.61
	00200805	SACHAN, HITESH & POOJA	PERMIT REFUND	24.82
	00200770	GREENWOOD HEATING & A/C	PERMIT REFUND	4.03
	00200798	NORTHWEST SECURITY & SOUND	PERMIT REFUND	4.03

Accounts Payable Report by GL Key

Item 2.

PO #	Check #	Vendor:	Transaction Description	Check Amount
	00200802	REDMOND ROOFING	PERMIT REFUND	3.88
<i>Org Key: DS1300 - Land Use Planning Svc</i>				
P0105637	00200808	SOUND PUBLISHING INC	Ntc. 9/11 Design Commission Va	13.68
<i>Org Key: FN1100 - Administration (FN)</i>				
P0105580	00200813	US BANK	MERLTGO09B Admin Fee 7/1/19 to	300.00
P0105580	00200813	US BANK	MERLTGO11 Admin Fee 7/1/19 to	300.00
P0105580	00200813	US BANK	MERLTGOREF13 Admin Fee 7/1/19	300.00
	00200775	HARVEY, OLIVIA	MILEAGE EXPENSE	77.95
<i>Org Key: FR1100 - Administration (FR)</i>				
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	826.54
<i>Org Key: FR1200 - Fire Marshal</i>				
	00200777	HICKS, JEROMY	PER DIEM REIMB	207.50
<i>Org Key: FR2400 - Fire Suppression</i>				
P0105526	00200796	NAT'L HOSE TESTING SPEC INC	2019 Hose Testing	4,221.75
<i>Org Key: GGM001 - General Government-Misc</i>				
P0105694	00200794	MORNICK, MATTHEW	CMO Support 10/21/10/25	2,380.00
P0105694	00200794	MORNICK, MATTHEW	CMO Support 10/28-11/1	1,972.00
P0105694	00200794	MORNICK, MATTHEW	CMO Support 10/14-10/18	1,972.00
P0102379	00200762	COMCAST	CITY HALL HIGH SPEED INTERNET	111.44
<i>Org Key: GGM005 - Genera Govt-L1 Retiree Costs</i>				
P0105575	00200806	SCHOENTRUP, WILLIAM	FRLEOFF1 Retiree Medical Expen	883.28
P0105569	00200758	BOOTH, GLENDON D	LEOFF1 Retiree Medical Expense	232.44
<i>Org Key: IS2100 - IGS Network Administration</i>				
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	2,126.26
	00200793	MORENO, ALFREDO	MILEAGE EXPENSE	138.04
	00200760	CENTURYLINK	PHONE USE NOV 2019	126.96
	00200789	MANDEVILLE, TROY	PER DIEM REIMB	125.00
	00200793	MORENO, ALFREDO	PER DIEM REIMB	125.00
<i>Org Key: MT2100 - Roadway Maintenance</i>				
P0105641	00200778	IMS INFRASTRUCTURE MANGT SRVS	MOBILE ASSET DATA COLLECTION F	18,496.98
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	2,452.08
<i>Org Key: MT2300 - Planter Bed Maintenance</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	13.88
<i>Org Key: MT3100 - Water Distribution</i>				
P0104634	00200773	GUTERMAN INC	LEAK DETECTION EQUIPMENT	51,631.00
<i>Org Key: MT3200 - Water Pumps</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	3,033.82
<i>Org Key: MT3300 - Water Associated Costs</i>				
	00200787	LEYDE, CASEY	SAFETY BOOTS	129.56
	00200787	LEYDE, CASEY	MILEAGE EXPENSE	42.34
<i>Org Key: MT3500 - Sewer Pumps</i>				

Accounts Payable Report by GL Key

Item 2.

PO #	Check #	Vendor:	Transaction Description	Check Amount
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	2,578.40
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	505.01
<i>Org Key: MT4200 - Building Services</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	6,337.02
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	2,259.46
<i>Org Key: MT4300 - Fleet Services</i>				
P0102661	00200791	MI SCHOOL DISTRICT #400	2019 MISD FUEL CONSUMPTION	13,699.18
P0105590	00200797	NELSON PETROLEUM	FIRE UNLEADED DELIVERY	5,018.59
P0105590	00200797	NELSON PETROLEUM	FIRE STATION - DIESEL DELIVERY	1,446.12
P0105666	00200797	NELSON PETROLEUM	SHOP DIESEL DELIVERY	611.91
	00200777	HICKS, JEROMY	FUEL FOR CAR 91	72.92
P0105640	00200809	SUNDSTROM, ROBERT	Gas for Birding Trip #9878	47.47
<i>Org Key: MT4450 - Cust Resp - Clearing Acct</i>				
	00200787	LEYDE, CASEY	MILEAGE EXPENSE	42.34
<i>Org Key: MT4501 - Water Administration</i>				
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	59.42
<i>Org Key: PO1350 - Police Emergency Management</i>				
	00200767	FRANKLIN, JENNIFER D	GREAT SHAKE OUT DRILL	75.60
<i>Org Key: PO1700 - Records and Property</i>				
P0105651	00200816	XEROX CORPORATION	PD Copier - Invoice # 09839170	369.48
<i>Org Key: PO1900 - Jail/Home Monitoring</i>				
P0105646	00200779	ISSAQUAH JAIL, CITY OF	September Jail Housing - Invoi	2,910.00
<i>Org Key: PR1100 - Administration (PR)</i>				
P0104694	00200765	DEMARCHE CONSULTING GROUP INC	Parks Maintenance Organization	12,000.00
P0102472	00200815	XEROX CORPORATION	Monthly lease charges for Upst	144.30
P0102472	00200815	XEROX CORPORATION	Use charge for copier 8/21/19	7.65
<i>Org Key: PR2100 - Recreation Programs</i>				
P0105640	00200809	SUNDSTROM, ROBERT	Instructor Payment for Birding	603.11
P0105624	00200774	HAKOMORI, MITSUKO	Instructor Payment for Ikebana	390.72
<i>Org Key: PR2104 - Special Events</i>				
P0105406	00200766	FLEMING'S HOLIDAY LIGHTING LLC	Holiday Light installation on	7,654.29
<i>Org Key: PR2108 - Health and Fitness</i>				
P0105638	00200785	LEDBETTER-KRAFT, DELORES E	Instructor Payment for Aerobic	1,158.95
P0105586	00200800	PAULETTO, MAUDE	Instructor Payment for Yoga #9	851.50
<i>Org Key: PR4100 - Community Center</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	570.37
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	56.37
<i>Org Key: PR5600 - Cultural & Performing Arts</i>				
P0105637	00200808	SOUND PUBLISHING INC	Ntc. 9/4 Parks Ad 2410259	170.00
P0105637	00200808	SOUND PUBLISHING INC	Ntc. 9/11 OSCT Vacancy 2424252	12.99
<i>Org Key: PR6100 - Park Maintenance</i>				

Accounts Payable Report by GL Key

Item 2.

PO #	Check #	Vendor:	Transaction Description	Check Amount
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	2,028.51
	00200787	LEYDE, CASEY	MILEAGE EXPENSE	42.34
<i>Org Key: PR6200 - Athletic Field Maintenance</i>				
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	92.12
<i>Org Key: PR6500 - Luther Burbank Park Maint.</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	333.55
	00200760	CENTURYLINK	PHONE USE OCTOBER 2019	178.00
<i>Org Key: PR6600 - Park Maint-School Related</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	510.57
<i>Org Key: PR6900 - Aubrey Davis Park Maintenance</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	273.42
P0102466	00200810	T-MOBILE	Monthly services for Boat Laun	20.00
<i>Org Key: ST0020 - ST Long Term Parking</i>				
P0105607	00200756	ASPECT CONSULTING LLC	Professional Services - Invoic	16,520.88
<i>Org Key: WG102R - Maintenance Building Repairs</i>				
P0105568	00200799	PACIFIC MODULAR LLC	CARPET REPLACEMENT FOR PW BUIL	5,670.00
<i>Org Key: WG107R - Luther Burbank Admin Bldg Rep</i>				
P0105568	00200799	PACIFIC MODULAR LLC	CARPET REPLACEMENT FOR LB BUIL	25,310.25
<i>Org Key: WG130E - Equipment Rental Vehicle Repl</i>				
P94483	00200783	KIA MOTORS FINANCE	DSG 2016 KIA SOUL LEASE	211.36
<i>Org Key: WG922T - Mobile Asset Data Collection</i>				
P0105641	00200778	IMS INFRASTRUCTURE MANGT SRVS	MOBILE ASSET DATA COLLECTION F	18,000.00
<i>Org Key: WP122P - Open Space - Pioneer/Engstrom</i>				
P0103566	00200792	MONARCH LANDSCAPING WA LLC	Pioneer Park Open Space Restor	6,825.00
<i>Org Key: WP122R - Vegetation Management</i>				
P0103564	00200792	MONARCH LANDSCAPING WA LLC	Luther Burbank Park Open Space	19,992.00
<i>Org Key: WR101R - Residential Street Improvement</i>				
P0104464	00200784	LAKESIDE INDUSTRIES	2019 ARTERIAL AND RESIDENTIAL	43,723.91
<i>Org Key: WR919R - EMW Resurface 4300 to SE 53rd</i>				
P0104464	00200784	LAKESIDE INDUSTRIES	2019 ARTERIAL AND RESIDENTIAL	52,706.86
<i>Org Key: WS713T - SCADA System Upgrade</i>				
P0103848	00200759	CAROLLO ENGINEERS INC	CHLORINATION SYSSTEN OPTIMIZAT	12,779.00
P0103848	00200759	CAROLLO ENGINEERS INC	CHLORINATION SYSSTEN OPTIMIZAT	11,147.50
<i>Org Key: WS901G - Sewer System Generator Repl</i>				
P0105637	00200808	SOUND PUBLISHING INC	Ntc. 9/11 Bid Pump Station 11	174.48
<i>Org Key: WS906C - Swr PS Flow Monitor Install</i>				
P0103947	00200759	CAROLLO ENGINEERS INC	WASTEATER PUMP STATION	29,761.75
<i>Org Key: WW535D- Booster Chlorination Station</i>				
P0104779	00200763	CONFLUENCE ENGINEERING GRP LLC	BOOSTER CHLORINATION OPERATION	9,982.40

Accounts Payable Report by GL Key

Item 2.

PO #	Check #	Vendor:	Transaction Description	Check Amount
<i>Org Key: XP710R - Luther BB Minor Capital LEVY</i>				
P0103564	00200792	MONARCH LANDSCAPING WA LLC	Luther Burbank Park Open Space	2,856.00
<i>Org Key: YF1100 - YFS General Services</i>				
P0102593	00200815	XEROX CORPORATION	Lease and billable prints/copi	182.87
	00200781	JOHNSON, KARLENE	COUNSELING SUPPLIES	25.04
<i>Org Key: YF1200 - Thrift Shop</i>				
	00200801	PUGET SOUND ENERGY	ENERGY USE OCT 2019	513.65
<i>Org Key: YF2600 - Family Assistance</i>				
P0102237	00200782	KC HOUSING AUTHORITY	Rental assistance for Emergenc	183.00
Total				<u>446,575.91</u>

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00200753	11/06/2019	ACKLEY, ANDREW & COURTNEY OVERPAYMENT REFUND		OH012525	10/30/2019	344.36
00200754	11/06/2019	AMLA HOLDINGS LLC PERMIT REFUND		SHL19017	10/31/2019	1,188.21
00200755	11/06/2019	ANDERSON, MARTIN & BETH OVERPAYMENT REFUND		OH012538	11/05/2019	215.25
00200756	11/06/2019	ASPECT CONSULTING LLC Professional Services - Invoice	P0105607	34781	10/18/2019	16,520.88
00200757	11/06/2019	BG CONSTRUCTION LLC PERMIT REFUND		1807018	10/31/2019	4,847.20
00200758	11/06/2019	BOOTH, GLENDON D LEOFF1 Retiree Medical Expense	P0105569	OH012520	10/21/2019	232.44
00200759	11/06/2019	CAROLLO ENGINEERS INC CHLORINATION SYSSTEN OPTIMIZAT	P0103947	0180281	09/11/2019	53,688.25
00200760	11/06/2019	CENTURYLINK PHONE USE OCTOBER 2019		OH012539	10/29/2019	3,970.68
00200761	11/06/2019	CHOW, RON OVERPAYMENT REFUND		OH012528	10/30/2019	914.11
00200762	11/06/2019	COMCAST CITY HALL HIGH SPEED INTERNET	P0102379	OH012521	10/12/2019	111.44
00200763	11/06/2019	CONFLUENCE ENGINEERING GRP LLC BOOSTER CHLORINATION OPERATION	P0104779	020919MIBCOP	10/02/2019	9,982.40
00200764	11/06/2019	CRUZEN, SHANNON JUROR SERVICE REIMB		OH012529	10/16/2019	10.25
00200765	11/06/2019	DEMARCHE CONSULTING GROUP INC Parks Maintenance Organization	P0104694	19MER06	10/28/2019	12,000.00
00200766	11/06/2019	FLEMING'S HOLIDAY LIGHTING LLC Holiday Light installation on	P0105406	7009	10/11/2019	7,654.29
00200767	11/06/2019	FRANKLIN, JENNIFER D GREAT SHAKE OUT DRILL		OH012530	10/17/2019	75.60
00200768	11/06/2019	GET Washington PAYROLL EARLY WARRANTS		OH012540	11/08/2019	250.00
00200769	11/06/2019	GREENLAW, ALISON JUROR SERVICE REIMB		OH012533	10/16/2019	23.22
00200770	11/06/2019	GREENWOOD HEATING & A/C PERMIT REFUND		1909095	10/30/2019	108.83
00200771	11/06/2019	GUAN, RYAN JUROR SERVICE REIMB		OH012531	10/16/2019	15.10
00200772	11/06/2019	GUERRERO, HEIDI JUROR SERVICE REIMB		OH012532	10/16/2019	18.82
00200773	11/06/2019	GUTERMAN INC LEAK DETECTION EQUIPMENT	P0104634	1815	09/13/2019	51,631.00
00200774	11/06/2019	HAKOMORI, MITSUKO Instructor Payment for Ikebana	P0105624	9611	10/23/2019	390.72
00200775	11/06/2019	HARVEY, OLIVIA MILEAGE EXPENSE		OH012534	10/28/2019	77.95
00200776	11/06/2019	HENTON, LUCAS JUROR SERVICE REIMB		OH012535	10/16/2019	14.99
00200777	11/06/2019	HICKS, JEROMY PER DIEM REIMB		OH012542	11/01/2019	280.42
00200778	11/06/2019	IMS INFRASTRUCTURE MANGT SRVS MOBILE ASSET DATA COLLECTION F	P0105641	500314/500313	09/30/2019	36,496.98

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00200779	11/06/2019	ISSAQUAH JAIL, CITY OF September Jail Housing - Invoi	P0105646	19000903	10/22/2019	2,910.00
00200780	11/06/2019	JEONG, GA JUROR SERVICE REIMB		OH012537	10/16/2019	18.47
00200781	11/06/2019	JOHNSON, KARLENE COUNSELING SUPPLIES		OH012536	10/29/2019	25.04
00200782	11/06/2019	KC HOUSING AUTHORITY Rental assistance for Emergenc	P0102237	OH012523	10/31/2019	183.00
00200783	11/06/2019	KIA MOTORS FINANCE DSG 2016 KIA SOUL LEASE	P94483	OH012522	10/16/2019	211.36
00200784	11/06/2019	LAKESIDE INDUSTRIES 2019 ARTERIAL AND RESIDENTIAL	P0104464	4093019	09/30/2019	96,430.77
00200785	11/06/2019	LEDBETTER-KRAFT, DELORES E Instructor Payment for Aerobic	P0105638	9686	10/29/2019	1,158.95
00200786	11/06/2019	LEE, SUSAN JUROR SERVICE REIMB		OH012545	10/16/2019	18.00
00200787	11/06/2019	LEYDE, CASEY SAFETY BOOTS		OH012544	10/08/2019	256.58
00200788	11/06/2019	LIGHTING GROUP NORTHWEST INVENTORY PURCHASES	P0103047	6423	08/30/2019	23,980.00
00200789	11/06/2019	MANDEVILLE, TROY PER DIEM REIMB		OH012548	10/29/2019	125.00
00200790	11/06/2019	MI EMPLOYEES ASSOC PAYROLL EARLY WARRANT		OH012546	11/08/2019	302.50
00200791	11/06/2019	MI SCHOOL DISTRICT #400 2019 MISD FUEL CONSUMPTION	P0102661	2019063019	10/07/2019	13,699.18
00200792	11/06/2019	MONARCH LANDSCAPING WA LLC Pioneer Park Open Space Restor	P0103564	CD50046068/CD500	10/08/2019	29,673.00
00200793	11/06/2019	MORENO, ALFREDO MILEAGE EXPENSE		OH012550	10/29/2019	263.04
00200794	11/06/2019	MORNICK, MATTHEW CMO Support 10/14-10/18	P0105694	#01	10/31/2019	6,324.00
00200795	11/06/2019	MUTCHEK, BRENDAN JUROR SERVICE REIMB		OH012551	10/16/2019	14.99
00200796	11/06/2019	NAT'L HOSE TESTING SPEC INC 2019 Hose Testing	P0105526	48901	10/04/2019	4,221.75
00200797	11/06/2019	NELSON PETROLEUM FIRE UNLEADED DELIVERY	P0105666	0713239IN	10/22/2019	7,076.62
00200798	11/06/2019	NORTHWEST SECURITY & SOUND PERMIT REFUND		1909157	10/30/2019	108.83
00200799	11/06/2019	PACIFIC MODULAR LLC CARPET REPLACEMENT FOR PW BUIL	P0105568	8175B/8175A	10/04/2019	30,980.25
00200800	11/06/2019	PAULETTO, MAUDE Instructor Payment for Yoga #9	P0105586	9975	10/22/2019	851.50
00200801	11/06/2019	PUGET SOUND ENERGY ENERGY USE OCT 2019		OH012552	10/24/2019	20,904.73
00200802	11/06/2019	REDMOND ROOFING PERMIT REFUND		1910057	10/15/2019	133.25
00200803	11/06/2019	REICHSTEIN, VALERIE JUROR SERVICE REIMB		OH012553	10/16/2019	22.53
00200804	11/06/2019	ROCHFORD, LAURA JUROR SERVICE REIMB		OH012554	10/16/2019	13.83

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00200805	11/06/2019	SACHAN, HITESH & POOJA PERMIT REFUND		DEV19008	10/30/2019	852.02
00200806	11/06/2019	SCHOENTRUP, WILLIAM FRLEOFF1 Retiree Medical Expen	P0105575	001958	10/22/2019	883.28
00200807	11/06/2019	SEGLE, KRYSS PER DIEM REIMB		OH012556	10/29/2019	225.22
00200808	11/06/2019	SOUND PUBLISHING INC Ntc. 9/25 Meeting Change 24241	P0105637	7945465	09/30/2019	474.34
00200809	11/06/2019	SUNDSTROM, ROBERT Gas for Birding Trip #9878	P0105640	9878	10/11/2019	650.58
00200810	11/06/2019	T-MOBILE Monthly services for Boat Laun	P0102466	OH012524	10/09/2019	20.00
00200811	11/06/2019	UNITED STATES TREASURY PAYROLL EARLY WARRANTS		OH012558	11/08/2019	780.30
00200812	11/06/2019	UNITED WAY OF KING CO PAYROLL EARLY WARRANTS		OH012557	11/08/2019	80.00
00200813	11/06/2019	US BANK MERLTGO09B Admin Fee 7/1/19 to	P0105580	5440628	07/25/2019	900.00
00200814	11/06/2019	WORRALL, DEBORA JUROR SERVICE REIMB		OH012559	10/16/2019	23.92
00200815	11/06/2019	XEROX CORPORATION Monthly lease charges for Upst	P0102593	098391706	10/04/2019	334.82
00200816	11/06/2019	XEROX CORPORATION PD Copier - Invoice # 09839170	P0105651	098391707	10/04/2019	369.48
00200817	11/06/2019	ZHANG, WEIGUO JUROR SERVICE REIMBURSEMENT		OH012560	10/16/2019	11.39
					Total	<u>446,575.91</u>



CITY OF MERCER ISLAND CERTIFICATION OF PAYROLL

Item 3.

PAYROLL PERIOD ENDING 11.1.2019
PAYROLL DATED 11.8.2019

Net Cash	\$	533,918.57
Net Voids/Manuals	\$	33,454.92
Net Total	\$	567,373.49
Federal Tax Deposit - Key Bank	\$	90,598.96
Social Security and Medicare Taxes	\$	44,787.32
Medicare Taxes Only (Fire Fighter Employees)	\$	2,499.02
State Tax (Massachusetts)	\$	56.67
Public Employees Retirement System 2 (PERS 2)	\$	28,886.82
Public Employees Retirement System 3 (PERS 3)	\$	6,450.08
Public Employees Retirement System (PERSJM)	\$	737.83
Public Safety Employees Retirement System (PSERS)	\$	309.89
Law Enforc. & Fire fighters System 2 (LEOFF 2)	\$	26,888.62
Regence & LEOFF Trust - Medical Insurance	\$	12,585.09
Domestic Partner/Overage Dependant - Insurance	\$	2,159.74
Group Health Medical Insurance	\$	1,106.18
Health Care - Flexible Spending Accounts	\$	2,062.93
Dependent Care - Flexible Spending Accounts	\$	1,531.09
United Way	\$	80.00
ICMA Deferred Compensation	\$	30,670.82
Fire 457 Nationwide	\$	7,569.00
Roth - ICMA	\$	510.00
Roth - Nationwide	\$	723.15
Tax Levy	\$	780.30
Child Support	\$	599.99
Mercer Island Employee Association	\$	302.50
Fire Union Dues	\$	2,111.33
Fire Union - Supplemental Dues	\$	160.00
Standard - Supplemental Life Insurance	\$	(14.40)
Unum - Long Term Care Insurance	\$	521.90
AFLAC - Supplemental Insurance Plans	\$	470.79
Coffee Fund	\$	152.00
Transportation	\$	62.08
HRA - VEBA	\$	5,503.19
Nationwide Extra	\$	1,936.68
GET	\$	250.00
Tax & Benefit Obligations Total	\$	273,049.57

TOTAL GROSS PAYROLL	\$ 840,423.06
----------------------------	----------------------

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the City of Mercer Island, and that I am authorized to authenticate and certify to said claim.

Finance Director

I, the undersigned, do hereby certify that the City Council has reviewed the documentation supporting claims paid and approved all checks or warrants issued in payment of claims.

Mayor

Date



CITY COUNCIL MINUTES SPECIAL MEETING NOVEMBER 4, 2019

Item 4.

CALL TO ORDER & ROLL CALL

Mayor Debbie Bertlin called the Special Meeting to order at 5:41 pm at City Hall, 9611 SE 36th Street, Mercer Island, Washington.

Mayor Debbie Bertlin and Councilmembers Bruce Bassett, Deputy Mayor Salim Nice, Wendy Weiker, David Wisenteiner (Arrived at 6:25 pm), and Benson Wong were present. Councilmember Lisa Anderl was absent.

AGENDA APPROVAL

It was moved by Nice; seconded by Wong to:

Approve the agenda as presented.

Passed: 5-0

FOR: 5 (Bassett, Bertlin, Nice, Weiker, and Wong)

ABSENT: 2 (Anderl and Wisenteiner)

STUDY SESSION

5622: Aubrey Davis Park Master Plan Review

Interim Parks & Recreation Director Ryan Daly and Capital Projects and Planning Manager Paul West reviewed with Council the draft Aubrey Davis Park Master Plan ("ADMP") timeline, evolution, and the revisions made since the October 15 Study Session. Council discussed the suggested revisions with staff, demonstrating support for the following changes:

- Planting Palette - Designate the "Northwest Feel" palette as primary and include the "Ornamental" and "Sensory" palettes for specific project designs.
- Water Conservation - Include both strategies in the master plan.
- Trail Width - Include photographic cross sections and change the Lid Park cross section trail width label from "current width" to "12 feet"
- Restroom Conflict Zone - Keep both options in the final plan
- Optional Informal Soft Surface Trails - Remove from plan.
- New Restroom - Show both locations in final plan.
- Dog Off-leash Area - Keep in plan without specifics.

Suggested changes will be incorporated into the ADMP and the final plan is scheduled for adoption at the November 19 Regular meeting.

CITY MANAGER REPORT

Interim City Manager Jessi Bon reported on the following:

- 2019 CERT Graduates
- Pumpkin Walk
- Recology Transition Final Update:
 - Cart Collection & Distribution,
 - Billing, and
 - Holiday Tree Curbside Collection
- 2019 Thrift Shop Anniversary Sale – Monday, November 11

APPEARANCES

There were no appearances.

CONSENT CALENDAR

Accounts Payable Reports:

- A. October 10, 2019 in the amount of \$354,296.48
- B. October 17, 2019 in the amount of \$982,764.49
- C. October 24, 2019 in the amount of \$408,929.23

Recommendation: Certify that the materials or services hereinbefore specified have been received and that all warrant numbers listed are approved for payment.

Certification of Payroll dated October 25, 2019 in the amount of \$817,157.33

Recommendation: Certify that the materials or services specified have been received and that all fund warrants are approved for payment.

Minutes:

- A. September 17, 2019 Regular Meeting
- B. October 7, 2019 Special Meeting
- C. October 15, 2019 Regular Meeting
- D. October 25, 2019 Special Meeting

Recommendation: Approve the minutes as written.

AB 5625: Due Diligence Costs for the City's Proposed Commuter Parking & Mixed-Use Project

Recommended Action:

- A. Authorize the City Manager to (a) Amend the professional services agreement with Aspect Consulting to provide additional site delineation work at the former BP/ARCO property; (b) Transfer \$56,855 from the Contingency Fund to the Town Center Parking Facilities Fund; and (c) Appropriate \$56,855 for additional due diligence and negotiation costs related to the environmental cleanup of the City's proposed commuter parking project, which will be reimbursed by known contaminator BP/ARCO.
- B. Authorize the City Manager to (a) Transfer \$6,200 from the Contingency Fund to the Town Center Parking Facilities Fund; and (b) Appropriate \$6,200 for additional property rental costs related to the City's proposed commuter parking project, which will be reimbursed by Sound Transit when the project is constructed.

It was moved by Nice; seconded by Wisenteiner to:

Approve the Consent Calendar as presented.

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

REGULAR BUSINESS

AB 5615: SAMHSA Grants for Youth and Family Services Prevention Work

Youth and Family Services Director Cindy Goodwin and Senior Programs Manager and Clinical Supervisor Derek Franklin reviewed the MIYFS Department's grant history and spoke about the newly awarded grants from the Substance Abuse and Mental Health Services Administration:

- Sober Truth on Preventing Underage Drinking Act ("STOP Act") grant; \$48,600 annually for four years (2019-2022) for underage alcohol prevention only
- Partnership for Success, Strategic Prevention Framework ("SPF") grant; \$300,000 annually for 5 years (2019-2023) for drug/alcohol prevention and mental health promotion

Mr. Franklin reviewed the grants' models coordination and funding/budget decisions. He spoke about the d and outcomes of the grants including substance abuse prevention, mental health and community benefits of healthy youth and reducing future treatment needs, hospitalization, or in-patient care.

It was moved by Nice; seconded by Wong to:

Authorize City Manager to accept the SAMHSA STOP and SPF grants and appropriate \$435,750 in grant funds for the 2019-2020 biennium.

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

AB 5621: Sales and Use Tax for Affordable and Supportive Housing

Community Planning and Development Deputy Director Alison Van Gorp briefly explained that House Bill 1406 authorizes counties and cities to implement a local sales tax to fund affordable or supportive housing, noting that the tax would be offset by a reduction in the state's portion of sales tax, which would not result in an increased tax on consumers. She reported that Mercer Island would receive approximately \$36,000 in annual revenue and outlined eligible expenditures, which included the following:

- Acquiring, rehabilitating, or constructing affordable housing
- Operations and maintenance of new affordable or supportive housing
- Rental assistance to tenants

If adopted by City Council, the tax would be collected starting in January 2020 and revenues credited back from the State Department of Review would begin in March 2020.

It was moved by Bassett; seconded by Wong to:

Suspend the City Council Rules of Procedures Section 6.3 requiring a second reading on an ordinance

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

It was moved by Bassett; seconded by Wong to:

Adopt Ordinance No. 19C-16 enacting a sales and use tax for affordable and supportive housing and amending Section 4.15 MICC.

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

AB 5620: Update Business and Occupation Tax Municipal Code Language

Special Projects Consultant Matt Mornick reported that the Washington state legislature passed two bills (HB 1403 and HB 1059) that impact cities with a business and occupation tax. House Bill 1403 updates how businesses apportion, or divide, their taxable income between taxing jurisdictions when business is taking place in more than one jurisdiction. House Bill 1059 changes the filing deadline for B&O tax annual filers to April 15, thus aligning the tax filing process with Federal tax reporting deadlines.

If adopted, the new filing deadlines would go into effect in 2021 when 2020 taxes are filed.

It was moved by Bassett; seconded by Wong to:

Suspend the City Council Rules of Procedures Section 6.3 requiring a second reading of an ordinance

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

It was moved by Bassett; seconded by Wong to:

Adopt Ordinance No. 19C-18, amending Chapter 4.10 of the Mercer Island City Code related to business and occupation tax.

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

AB 5624: 2020 Comprehensive Plan Amendment Docket

It was moved by Nice; seconded by Wong to:

Table discussion on the 2020 Comprehensive Plan Docket until the meeting on December 3 to allow the City Council to complete their deliberations on the 2019 Comprehensive Plan Amendments.

Passed: 6-0

FOR: 6 (Bassett, Bertlin, Nice, Weiker, Wisenteiner, and Wong)

ABSENT: 1 (Anderl)

OTHER BUSINESS

Planning Schedule

Mayor Bertlin recommended that if a second December meeting is needed that a Special Meeting be scheduled on December 10 in lieu of the Regular Meeting on December 17.

Interim City Manager Jess Bon reported on the following:

- November 4 and December 3 meetings are full
- Code of Ethics Statement and Procedures scheduled for November 19
- 2020 Planning Session is scheduled for January 25

City Council canceled the December 17, 2019 Regular Council Meeting

Councilmember Absences & Reports

Councilmember Anderl absence were excused.

Councilmember David Wisenteiner will not attend the November 19 Regular Meeting.

Councilmember Wong:

- Thanked the various organizations that held candidate forums.
- Councilmember Bassett was recognized at the K4C Summit for his years of service addressing sustainability and climate change.
- Mercer Island School District's "Dial for Dollars" raised more than \$38,000 over two days
- Chamber of Commerce notice regarding a special art exhibit at Clark and Clark in the Towne Center

Councilmember Weiker:

- Chamber Fitness Crawl
- Band Boosters Auction
- Rotary MI Half in March 2020

Mayor Bertlin:

- Tree Lighting and Firehouse Munch on December 6

EXECUTIVE SESSION

At 8:22 pm, Mayor Bertlin convened an Executive Session to 1) discuss pending or potential litigation with legal counsel pursuant to RCW 42.30.110(1)(i) and 2) for planning or adopting the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4)(b) for approximately 90 minutes. No action will be taken.

At 9:52 pm, Mayor Bertlin extended the Executive Session to 10:15 pm.

At 10:14 pm, Mayor Bertlin extended the Executive Session to 10:20 pm.

At 10:20 pm, Mayor Bertlin extended the Executive Session to 10:25 pm.

At 10:25 pm, Mayor Bertlin adjourned the Executive Session; no action was taken.

ADJOURNMENT

There being no additional business to come before City Council, the Regular Meeting adjourned at 10:26 pm.

Attest:

Debbie Bertlin, Mayor

Deborah Estrada, City Clerk

**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND****AB 5627
November 19, 2019
Consent Calendar****AGENDA BILL INFORMATION**

TITLE:	AB 5627: Approval of ARCH 2020 Work Plan and Budget	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Approve ARCH 2020 Work Plan and Budget	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	ARCH 2020 Budget and Work Program Memo
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ 50,222
AMOUNT BUDGETED	\$ 33,000
APPROPRIATION REQUIRED	\$ 16,895

SUMMARY

AB 5626, discussed during the Study Session earlier this evening, provided a summary of the 2020 budget and work program recommended by the ARCH Executive Board. The budget includes a significant increase for an expansion of staff capacity by 2.0 FTEs. Mercer Island's portion of the 2020 budget is \$50,222. The work program includes five priorities for 2020:

- Provide excellent stewardship of affordable housing assets
- Develop measurable goals for production and preservation of affordable housing in the ARCH region
- Advance an initiative with high potential for impact (i.e. Eastside Equitable TOD Plan)
- Continue to support proposals for dedicated revenue sources for affordable housing
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission

If the 2020 budget and work program are approved, staff will bring a budget amendment back to Council during the first quarter of 2020 to allocate additional funding for added costs related to expanded staffing.

RECOMMENDATION

Approve the ARCH 2020 work plan and budget.



Together Center Campus
16225 NE 87th Street, Suite A-3 ♦ Redmond, Washington 98052
(425) 861-3677 ♦ Fax: (425) 861-4553 ♦ WEBSITE: www.archhousing.org

MEMORANDUM

Date: September 13, 2019
From: Lindsay Masters, ARCH Executive Manager
Kurt Triplett, ARCH Executive Board Chair
To: ARCH Member City Councils
Subject: ARCH 2020 Budget and Work Program

Please find attached for your review the 2020 ARCH Budget and Work Program which was approved by the ARCH Executive Board for recommendation on September 12, 2019. This memo outlines important changes from previous program years aimed at strengthening ARCH's core services, and pursuing future opportunities to increase the production and preservation of affordable housing in member communities.

Background

In late 2018 through the first half of 2019, ARCH engaged in a deliberative process to evaluate organizational capacity to administer the growing number of member city affordable housing programs, particularly the long-term monitoring of units for compliance with program covenants. This effort involved a comprehensive review of policies and procedures within ARCH's Homeownership Program by a third party consultant, as well as a broad audit of homeownership units.

One major takeaway from this review was that **ARCH staffing has not kept up with the growth in programs it oversees**. ARCH has maintained roughly the same level of staffing (approximately 5.0 FTEs) since the early 2000s. During that time, the number of homeownership units monitored by ARCH grew from just over 100 to about 700 units. The number of rental units produced by local incentive programs grew from under 300 to roughly over 1,000 (with another 600 in the pipeline), while an additional 1,800 units were funded through the Housing Trust Fund. ARCH member cities continue to adopt more incentive programs to ensure that new developments contribute to affordability. In 2019 alone, Bothell, Kenmore and Woodinville all added new housing incentive programs.

The review also concluded with several key findings and recommendations for strengthening ARCH's Homeownership Program, which are described in the Program Assessment Summary prepared by Street Level Advisors in **Attachment 1**. Since the early 1990s, ARCH's program model was intended to provide slightly below market homeownership opportunities and operate with a low overhead. In the last decade, the value of ARCH units relative to the market grew dramatically, and the need for more active

monitoring has grown to ensure units are preserved and used for their intended purpose. On the whole, the Homeownership Program has achieved significant outcomes in providing affordable homeownership opportunities to income qualified households while preserving significant affordability relative to the broader housing market. However, without proper investment in staffing, the program will continue to experience compliance violations and erosion of affordability.

Recommended Staffing Levels for Homeownership Program

As noted by Street Level Advisors, staffing levels for ARCH's Homeownership Program fall well below peer programs and recommended best practices. The recommended staffing for the current program is between 2 and 4 full-time staff, with a ratio of no more than 350 units per FTE as the program continues to grow. Higher levels of staffing would be necessary for ARCH to implement more time-intensive recommendations such as reviewing and approving every buyer's financing. To help create a more sustainable staffing model, Street Level Advisors has also recommended that ARCH develop a plan for implementing new fees at the time of resale.

Based on this analysis, the ARCH Board approved steps to hire two additional staff, and advance options for resale fees that would support additional staffing over time. One new position will be dedicated entirely to administration of the Homeownership Program, bringing the overall program capacity up to 2.0 FTE. The second position will be responsible for compliance monitoring of rental housing covenants, providing additional capacity for contract and covenant development, and providing back-up support to the Homeownership Program. As ARCH incorporates new staff and grows the portfolio of homes in the program, the ARCH Board will continue to evaluate the needs of the organization to carry out critical functions on behalf of its members and the public.

Action Steps Completed to Date

ARCH's staff and Executive Board have taken a number of steps to strengthen ARCH's monitoring and program administration functions and begin implementing consultant recommendations, including:

- ARCH staff completed a light touch audit of every single unit in its Homeownership Program using publicly available data, which was reviewed and supplemented with additional data from ARCH's consultant. The audit identified three main types of issues (foreclosures, non-owner occupancy, and sales or transfers without proper notification).
- ARCH staff conducted follow-up investigations on over 50 units. These efforts resulted in determinations of compliance violations in 25 units, or 3.6% of the total portfolio.
- ARCH staff initiated work with legal counsel from each individual jurisdiction to help define cities' enforcement options. ARCH continues to assist each city to implement enforcement efforts as appropriate. In the majority of cases, homeowners are working cooperatively with ARCH to sell to new qualified buyers. As of September, 8 homes had been sold to new owners, and 3 are pending or listed for sale.

- In March through April, the ARCH Executive Board considered a range of options to create greater staff capacity to implement recommended changes to program policies and procedures. In early June, the Board approved a resolution to authorize the Executive Manager to utilize up to \$415,000 in one-time funds from ARCH reserves and City of Kirkland housing funds for recruitment of new limited-term employees and other methods to create immediate capacity.
- In late June, ARCH submitted hiring requests for two new positions to ARCH's Administering Agency (Bellevue). The positions were approved and advertised in July, and are currently in the selection process.
- In July, ARCH welcomed two interns to assist with administrative duties and special data projects that will help inform program design going forward.
- ARCH is currently in the process of soliciting consultant assistance to conduct analysis and prepare specific recommendations for ARCH's resale formula, and level of resale fees.

2020 Administrative Budget

ARCH's 2020 Administrative Budget shown in **Attachment 2** incorporates ongoing support for the increases in capacity described above. Changes from the previous budget year include:

- Continuation of two new staff positions (conversion from LTEs to permanent FTEs)
- Renewal of internship positions to provide continued administrative support
- Software licensing fees for a new database system
- Reduction in WCIA premiums and increase in Bellevue in-kind insurance
- Modest consultant budget to support:
 - Database development
 - Website updates

The budget also reflects an updated allocation methodology to distribute budgeted expenses among members. The methodology allocates each cities' share on a per capita basis, with a minimum floor of \$2,000. King County's contribution is not on a per capita basis, but does reflect a proportionate increase from 2019. The county has agreed to revisit its contribution levels in the 2021-22 biennium.

The budget includes a new section on contingent income and expenses that reflects the potential for ARCH to provide additional services if new fee revenue is realized. Specifically, up to \$150,000 in fee revenue is estimated from resale transactions and other fees (though it is likely that actual revenue will fall under this level). As noted above, this revenue would help support additional staff support over time.

2020 Work Program

ARCH's 2020 Work Program shown in **Attachment 3** reflects a stronger set of core services planned through the above increases in capacity. A description of the responsibilities of new staff is included on page 6, Stewardship of Affordable Housing Assets.

In addition to strengthening core services, the Work Program includes the following items aimed at laying the groundwork for greater production of affordable housing:

- Develop measurable goals for production and preservation of affordable housing across ARCH member communities
- Partner with transit agencies and other stakeholders to create a plan for implementation of equitable transit-oriented development on the Eastside
- Continue work on a long-term funding strategy for the ARCH Trust Fund
- Explore a shared legislative agenda to advance housing priorities at the state level
- Develop an inventory of promising public and nonprofit property
- Explore outreach and partnerships to promote ADU development

In concert with the activities above, the ARCH Executive Board will also undertake an organizational assessment to further evaluate ARCH's capacity to accomplish its stated mission. Following the thorough evaluation of monitoring functions in 2019, this broader evaluation will examine all areas of the ARCH Work Program, as well as ARCH's organizational structure and governance model. This will ultimately inform the Board's recommendations for the 2021 ARCH Budget and Work Program, as well as any needed revisions to the ARCH Interlocal Agreement, which is scheduled for renewal in 2020.

Housing Trust Fund Parity Goals / HB 1406

Each year, ARCH members are encouraged to contribute on a voluntary basis toward the ARCH Trust Fund, which helps to finance local affordable housing projects through loans and grants. Over time, ARCH cities developed a formula to create goals for local investment based on cities' population, projected employment and housing. A set of updated parity goals are provided in **Attachment 4**.

While these goals incorporate inflationary adjustments from historic investment levels, it is clear that the need for affordable housing has vastly outpaced the capacity of existing resources. ARCH encourages cities to pursue all opportunities to maximize housing investment. Earlier this year, ARCH provided a recommendation memo urging all members to adopt a resolution to implement the local sales tax authorized under HB 1406. If all ARCH cities were to implement this tax, our communities would benefit from roughly \$28 million more in local investment over the next 20 years, with no increase in taxes experienced by consumers. As each ARCH member city considers its 2020 budget, ARCH urges that these resources be authorized and made available for allocation as expeditiously as possible.

Conclusion

Now more than ever, it is critical to preserve and create new affordable housing in our community. The 2020 Budget and Work Program reflects ARCH's commitment to maintaining existing affordable housing assets, while working actively with member cities to pursue opportunities to dramatically expand access to affordable housing options in East King County.

Attachments:

1. Program Assessment Summary, June 2019, Street Level Advisors
2. 2020 ARCH Administrative Budget
3. 2020 ARCH Work Program
4. Housing Trust Fund Parity Goals



Program Assessment Summary

ARCH – A Regional Coalition for Housing

June 11, 2019

Introduction

ARCH engaged Street Level Advisors to assess the organization's ongoing stewardship of its Homeownership Program, which provides affordable ownership opportunities to people with low to moderate incomes while seeking to retain affordability by limiting resale prices for future buyers. This model is known as "shared equity homeownership." Shared Equity programs require a delicate balancing act between the dual goals of helping today's owners and preserving affordability for future buyers.

To conduct the assessment, Street Level Advisor worked with staff to identify problems including foreclosures, unauthorized rentals and unauthorized sales. We compiled data on the affordable pricing and current resale formula values for each home in ARCH's portfolio in order to understand the organization's performance in maintaining long-term affordability. We also administered a comprehensive assessment tool developed by Grounded Solutions Network based on identified best practices for affordable homeownership programs.

This report summarizes key findings and recommendations for specific changes in policies or administrative procedures which ARCH could make to strengthen the program.

A. Key Findings

1. The program is serving households in the target income range.

The roughly 700 units in the program were designed to target households at a range of incomes from 50% to 120% AMI, with the vast majority targeted at 80 to 120% AMI. For the sample of buyers we tested, the median household income was 70.9% of local AMI adjusted for household size.

In addition, buyer incomes are well below the income eligibility limits - 94% of buyers had incomes below the income limit for their unit, and the median buyer's income (as a percentage of local AMI, adjusted for household size) was 18.9 percentage points less than the limit. ARCH allows owners who are unable to sell their homes within 60 days to sell to households above the unit's income limit.

However, of the 29% of sales that occurred after the 60-day period, most homes were sold to buyers who were nonetheless income qualified. Overall, 7.2% of the resales we studied involved sales to 'over-income' buyers.

2. A significant share of ARCH homes have not remained affordable to the same income levels over time.

The program has utilized a variety of resale formulas over time and across different jurisdictions. These formulas have performed differently in preserving affordability, but a significant 67% are now affordable to a higher income group than they were at initial sale.

Overall, the typical home has lost 7.4 percentage points of affordability. Of the program's 3 most common resale formulas (REI, REI/HUD, and Flat Quarterly), the hybrid REI/HUD formula preserved affordability the best, and the REI formula performed the worst. Even so, the REI/HUD formula has still resulted in affordability losses in nearly all conditions other than the peak of the housing bubble.

We expect that this gradual erosion of affordability will lead to a steady increase in the number of homes that remain unsold after 60 days and ultimately sell to buyers who are above ARCH's income limits

3. The public share of equity in ARCH homes ("Value in Trust") has grown substantially over time

The typical ARCH home was initially sold at a restricted price approximately \$130,000 less than market value, but now has a current formula price that is \$330,000 less than market value. Taken together the difference between affordable prices and market values totals \$274 million. This is the value that ARCH is entrusted to steward.

For most homes (74.2%), the discount relative to market value that the current formula price provides is now larger than it was at initial sale. This means that although the program's resale formulas are allowing a steady erosion of affordability overall, they have nonetheless consistently deepened the homes' market discounts – just not enough to preserve affordability perfectly.

4. ARCH's Homeownership Program has provided meaningful opportunities for homeowners to build equity.

The most common resale formulas found in the program have allowed homeowners to build significant wealth and benefit from a significant portion of their homes' market appreciation. The typical ARCH home's current maximum formula price is approximately \$123,000 more than its initial affordable price.

In total, the program's restricted prices have appreciated by \$94 million. We estimate that for a typical unit, a homeowner who had owned since the unit was placed in ARCH's portfolio would have gained \$65,000 at resale (appreciation minus closing costs and downpayment). This results in a typical rate of return on homeowner's investment of 13.86% annually – nearly double what owners would have earned by investing in the S&P 500.

5. Compliance violations such as subleasing and unauthorized sales represent a small minority of the units in the program.

As of May 2019, ARCH has identified 51 homes (7% of the portfolio) that merited further review for possible compliance violations, either due to mail being forwarded to a different address, an apparent change of ownership, or other reason. Of these, 24 were determined to be in violation (3.5%), 16 were determined to be in compliance, and 11 were still under review. Violations were

categorized as unauthorized sales (1.3%), non-owner occupancy (1.7%), and unauthorized quit claim deed transfers (0.4%).

6. Foreclosures have created meaningful losses in the program, particularly following the economic recession, but have not been a frequent occurrence in recent years.

A total of 43 ARCH properties have experienced a foreclosure (5.8% of the portfolio). Of these, 20 happened without any formal notification to ARCH, and in most cases where ARCH was notified, ARCH was unable to preserve the resale covenants on these homes. This was largely due to ARCH not having the resources readily available for the purpose of purchasing units at risk of foreclosure.

7. ARCH is implementing industry best practices in many areas, but in other areas falls short of the goal of preserving long term affordability. Staffing levels lag significantly behind other successful programs.

ARCH's covenant and other legal documents are state of the art, incorporating many thoughtful and strong protections for the public interest in ARCH homes. But ARCH has been operating with less staff than is necessary to successfully preserve affordability and monitor compliance for such a large portfolio of homes. ARCH has less than one full time staffer dedicated to the program. This means that ARCH has had to take a relatively "hands off" approach to stewardship. Based on a comprehensive review of current practices and procedures, ARCH is currently implementing just over half of the 70 industry best practices covered by the assessment tool.

B. Recommendations

We found many areas where ARCH is implementing proven best practices but we also identified additional steps which ARCH could take to strengthen the homeownership program and greatly improve the likelihood that units would remain affordable over the long term. We made 35 detailed recommendations covering topics including business planning, marketing and buyer selection, initial pricing, resale pricing, mortgage financing, monitoring and enforcement. We have highlighted below the recommendations that seem most impactful.

Expand Staffing

- Add two or three additional full time staff positions including at least one person focused exclusively on the homeownership program.
- In order to help cover the cost of new staffing, develop a plan for implementing new fees at the time of resale to be charged to selling homeowners and/or to new buyers.

Strengthen Enforcement

- Convene a working group of attorneys from partner cities to coordinate short-term enforcement actions and to plan for changes to the legal structure to enable more effective enforcement in the future.

- Adopt a monitoring schedule and an enforcement plan outlining the intended steps that staff should take in the event of each common type of violation.
- Develop a comprehensive program manual (including mission statement) and have it reviewed and approved by the ARCH Board of Directors. Update it periodically – at least every 5 years.

Strengthen Requirements:

- Consider adopting a new resale formula which will better maintain affordability of homes at resale. If possible, update existing homes to the new formula whenever they turnover.
- Develop a strategy for “rebalancing” the pricing limits for units with resale prices that have risen to the point where they are considerably out of reach for their targeted income group.
- Switch to imposing income limits based on applicant household size rather than the size of the unit. Review other buyer eligibility criteria and consider adopting an asset limit and first time buyer requirement.
- Adopt a policy limiting buyers to approved mortgage product types. Consider creating a list of approved or preferred lenders.
- Work with ARCH’s attorneys to develop an approach that allows member cities to record new covenants at each resale, resetting the 30-year affordability period each time.
- Evaluate the feasibility of requiring buyers to participate in a program orientation session with ARCH staff.

Improve Systems

- Purchase HomeKeeper data management software (myHomeKeeper.org) to more efficiently manage program data and track outcomes.
- Create a standard application form for homebuyers in order to capture basic data about each applicant.

2020 ARCH Administrative Budget

Adopted by ARCH Executive Board

SEPTEMBER 12th, 2019

	Adopted 2019 Budget	2020 Recommended Budget	Difference	% Change
I. TOTAL EXPENSES	\$ 724,400	\$ 1,110,097	\$ 385,697	53%
A. Personnel	\$ 655,417	\$ 968,399	\$ 312,981	48%
Salaries	\$ 478,222	\$ 683,084	\$ 204,862	43%
Current Staff (5.0 FTE)	\$ 478,222	\$ 511,084	\$ 32,862	
(New) Program Administrator	\$ -	\$ 86,000	\$ 86,000	
(New) Associate Planner	\$ -	\$ 86,000	\$ 86,000	
Benefits	\$ 177,196	\$ 285,314	\$ 108,118	61%
Current Staff (5.0 FTE)	\$ 177,196	\$ 193,314	\$ 16,118	
(New) Program Administrator	\$ -	\$ 46,000	\$ 31,000	
(New) Associate Planner	\$ -	\$ 46,000	\$ 31,000	
B. Operating	\$ 54,368	\$ 67,195	\$ 12,827	24%
Rent & Utilities	\$ 24,294	\$ 24,780	\$ 486	
Telephone	\$ 4,375	\$ 4,586	\$ 211	
Travel/Training	\$ 2,000	\$ 2,600	\$ 600	
Auto Mileage	\$ 3,342	\$ 3,500	\$ 158	
Copier Costs	\$ 1,750	\$ 1,803	\$ 53	
Office Supplies	\$ 2,800	\$ 3,100	\$ 300	
Office Equipment Service	\$ 2,000	\$ 2,215	\$ 215	
Fax/Postage	\$ 825	\$ 1,500	\$ 675	
Periodical/Membership	\$ 3,992	\$ 4,112	\$ 120	
Misc. (events,etc.)	\$ 1,680	\$ 2,000	\$ 320	
Insurance	\$ 5,310	\$ -	\$ (5,310)	
Equipment Replacement	\$ 2,000	\$ 2,000	\$ -	
Furnishings			\$ -	
Database/software licensing		\$ 15,000		
C. In-Kind Admin/Services	\$ 14,615	\$ 19,503	\$ 4,888	33%
Insurance	\$ 5,000	\$ 9,660	\$ 4,660	
IT Services	\$ 9,615	\$ 9,843	\$ 228	
D. Grants and Consultant Contracts	\$ -	\$ 55,000	\$ 55,000	N/A
Consultant Contracts / Interns	\$ -	\$ 55,000	\$ -	
Special Grants	\$ -	\$ -	\$ -	

	Adopted 2019 Budget	2020 Recommended Budget	Difference	% Change
II. TOTAL INCOME	\$ 724,221	\$ 1,110,097	\$ 385,876	53%
A. Member Contributions	\$ 720,021	\$ 1,103,897	\$ 383,876	53%
Beaux Arts Village	\$ 1,750	\$ 2,000	\$ 250	14%
Bellevue	\$ 185,905	\$ 281,876	\$ 95,971	52%
Bothell	\$ 58,811	\$ 89,384	\$ 30,573	52%
Clyde Hill	\$ 4,193	\$ 6,551.43	\$ 2,358	56%
Hunts Point	\$ 1,750	\$ 2,000	\$ 250	14%
Issaquah	\$ 45,217	\$ 72,244	\$ 27,027	60%
Kenmore	\$ 29,793	\$ 44,921	\$ 15,128	51%
Kirkland	\$ 115,019	\$ 175,946	\$ 60,927	53%
Medina	\$ 4,221	\$ 6,523	\$ 2,302	55%
Mercer Island	\$ 33,327	\$ 50,222	\$ 16,895	51%
Newcastle	\$ 14,974	\$ 23,006	\$ 8,032	54%
Redmond	\$ 78,584	\$ 123,104	\$ 44,520	57%
Sammamish	\$ 80,784	\$ 127,494	\$ 46,710	58%
Woodinville	\$ 15,466	\$ 23,673	\$ 8,207	53%
Yarrow Point	\$ 1,750	\$ 2,401	\$ 651	37%
King County	\$ 48,477	\$ 75,000	\$ 26,523	55%
Bellevue Detail	\$ 185,905	\$ 281,876	\$ 95,971	
Cash Contributions	\$ 8,085	\$ 86,673	\$ 78,588	
In-Kind Contributions	<u>\$ 177,820</u>	<u>\$ 195,203</u>	<u>\$ 17,383</u>	
Personnel	\$ 163,205	\$ 175,700	\$ 12,495	
Insurance	\$ 5,000	\$ 9,660	\$ 4,660	
IT Services	\$ 9,615	\$ 9,843	\$ 228	
B. Other Income	\$ 4,200	\$ 6,200	\$ 2,000	
Administrative Fees	\$ 4,200	\$ 4,200	\$ -	
Interest Earned	\$ -	\$ 2,000	\$ 2,000	
III. USE OF RESERVES	\$ 179	\$ -	\$ (179)	

IV. CONTINGENT INCOME AND EXPENSES

Note: This section reflects potential opportunities for ARCH to provide additional services if new fee revenue is realized.

A. Contingent Expenses

Staffing or Consultants	\$ -	\$ 150,000	\$ 150,000	N/A
Additional Services	\$ -	\$ 150,000	\$ 150,000	N/A

B. Contingent Revenue

Resale/Monitoring Fees	\$ -	\$ 150,000	\$ 150,000	N/A
Service Fees	\$ -	\$ 150,000	\$ 150,000	N/A

ARCH WORK PROGRAM: 2020

2020 Priorities

In 2020, ARCH will elevate the following priorities in its Work Program:

- Provide excellent stewardship of affordable housing assets
- Develop measurable goals for production and preservation of affordable housing in the ARCH region
- Advance an initiative with high potential for impact (i.e., Eastside Equitable TOD Plan)
- Continue to support proposals for dedicated revenue sources for affordable housing
- Evaluate options for expanding ARCH's capacity to accomplish its broader mission

I. AFFORDABLE HOUSING INVESTMENT

A. ARCH Housing Trust Fund

Parity Goals. Develop updated goals for member investments through the ARCH HTF.

Annual Funding Round. Develop funding priorities and evaluation criteria for the annual funding round. Advertise available funds and manage a competitive process on behalf of member cities. Review funding applications and develop recommendations through the Citizen Advisory Board (CAB), with input from member staff. Develop final recommendations by the ARCH Executive Board and facilitate final funding allocations through member councils.

Public Funding Coordination. Work collaboratively with public funders at the State and local levels to promote shared affordable housing goals and equitable geographic distribution of resources. Review and provide input to other funders for Eastside projects that apply for County (HOF, RAHP, HOME, TOD etc.) and State (Tax Credit, State Housing Trust Fund) funds. Provide input to the King County Joint Recommendations Committee (JRC) on behalf of participating Eastside jurisdictions. Assist N/E consortium members with evaluating and making a recommendation to the County regarding CDBG allocations to affordable housing.

Private Funding Coordination. Work with private investors and lenders to maximize leverage of public investment into affordable housing. Negotiate maximum public benefits from investment of housing funds into private projects.

Project Pipeline Management. Work with member cities and project sponsors to develop a robust pipeline of projects to be funded over the next five years (see related work on Transit Center sites, below). Actively vet potential HTF projects, and lead funding policy and prioritization discussions with the ARCH Executive Board to facilitate planning and decision-making.

Contract Development and Monitoring. Prepare contract documents and distribute funds for awarded projects. Monitor funded projects including evaluating performance and tracking loan payments. Monitor for long term sustainability of previously funded projects.

Centralized Trust Fund Reporting. Work with Administering Agency (Bellevue) to maintain records and produce regular financial reports for the ARCH Trust Fund accounts.

B. Special Projects

Transit-Oriented Development Sites. Assist cities with advancing and coordinating affordable housing projects near transit. Partner with Sound Transit, King County Metro and other public agencies to maximize opportunities on public property. Current opportunities include sites in Bel-Red, Overlake, Downtown Redmond, Issaquah, Kirkland, Bothell, and Kenmore.

Surplus Property/Underdeveloped Property. Assist with evaluation of public surplus or underutilized private property (e.g. faith community properties) for suitability of affordable housing. Provide technical assistance to property owners interested in supporting affordable housing. Develop an inventory of promising public and nonprofit property and begin to engage owners to gauge interest in disposition for housing.

Eastside Shelter Capacity. Support efforts by Eastside shelter providers, Eastside Human Services Forum, and member cities to implement an East King County sub-regional strategic approach to shelter and related services for homeless adults and families. Support the completion of construction of a permanent women and family shelter, and continue supporting efforts to construct a permanent year-round men's shelter.

Preservation of At Risk Affordable Housing. As needed, assist with responding to notices of sale of HUD assisted properties received by member cities, or other information indicating an impending loss of existing affordable housing. Work with member cities to facilitate acquisitions or other strategies to preserve existing housing where affordability is at risk of being lost.

II. HOUSING POLICY AND PLANNING

A. Local Policy, Planning and Code Development

ARCH provides assistance directly to member cities on a range of local planning efforts. Local planning efforts with individual member cities may be found in *Attachment A*. These efforts may take different forms, such as:

- **Housing Element Updates.** Work with members to update comprehensive plan housing elements.
- **Housing Strategy Plans.** Assist members to prepare housing strategies to implement housing elements and create council work plans. Cities with recently completed strategy plans include Bellevue, Issaquah, Kenmore, Bothell, Kirkland, Redmond, and Sammamish.
- **Incentive Program Design.** Provide economic analysis and policy and program development support to design housing incentive programs, including land use, property tax, impact fee waivers and other incentives.
- **Land Use Code Amendments.** Assist city staff on land use and other code amendments in order to implement comprehensive plan policies.
- **Other Support.** Other areas in which ARCH could provide support to member cities include preservation of valuable community housing assets, assistance to households displaced by development activity, or negotiation of agreements for specific development proposals. ARCH views this as a valuable service to its members and will continue to accommodate such requests to the extent they do not jeopardize active work program items.

B. Inter-Local / Eastside Planning Activities

Interlocal planning activities are coordinated by ARCH for the benefit of multiple members.

ARCH Regional Affordable Housing Goals and Reporting. Work with member staff and the ARCH Executive Board to develop measurable goals for production and preservation of affordable housing across ARCH member communities. Explore working with King County to utilize dashboards created for the GMPC Affordable Housing Committee.

Eastside Equitable Transit-Oriented Development Plan. Partner with transit agencies and other stakeholders to create a plan for implementation of equitable transit-oriented development on the Eastside. The plan will aim to define shared policy goals and strategies, establish numerical goals for affordable unit production, identify specific site opportunities/affordable housing pipeline, and include commitments by partner agencies to utilize available tools and resources.

Long-Term Funding/Dedicated Revenue Strategy. Continue work on a long-term funding strategy for the ARCH Trust Fund. Facilitate conversations with member cities on identifying and exploring dedicated sources of revenue for affordable housing at the local and regional level (e.g., REET, property tax levy, 0.1% sales tax, etc.). Provide relevant data and develop options for joint or individual revenue approaches across ARCH member cities and determine any shared state legislative priorities to authorize local options for funding.

Eastside Housing Data Analysis. On an annual basis, ARCH provides housing and demographic data as available. This information is available to members for planning efforts and will be incorporated into ARCH education fliers and an updated Housing 101 report.

Housing Diversity/Accessory Dwelling Units (ADUs). Continue to support a diversity of housing options among member cities:

- Accessory Dwelling Units (ADUs): Explore outreach and other ways to promote ADU development (e.g., improve online resources, provide connections to financing options). Explore partnership with eCityGov Alliance to increase accessibility of ADU permitting (e.g., update tip sheets and create streamlined portal through MyBuildingPermit.com).

C. State Legislative Activities

The ARCH Executive Board will discuss and explore shared legislative priorities for advancing affordable housing in the region. ARCH staff will track relevant state (and, where feasible, federal) legislation. As needed, staff will report to the Executive Board and members, and coordinate with relevant organizations (e.g. AWC, SCA, WLIHA, HDC) to advance shared legislative priorities.

D. Regional/Countywide Planning Activities

ARCH participates in regional planning efforts to advance Eastside priorities and ensure that perspectives of communities in East King County are voiced in regional housing and homelessness planning.

King County GMPC Affordable Housing Committee / Housing Inter-Jurisdictional Team (HIJT). Support efforts to advance the five-year action plan developed by the Regional Affordable Housing Task Force in 2018. ARCH will help staff the HIJT, which provides support to the Growth Management Planning Council's Affordable Housing Committee (AHC). In addition, ARCH will facilitate discussions as needed with members and the Executive Board to consider actions recommended in the five-year plan.

All Home/ Eastside Homeless Advisory Committee (EHAC). Collaborate with All Home, EHAC and other relevant organizations and initiatives to advance shared work on homelessness. Coordinate allocation of resources, and work on specific initiatives (e.g., coordinated entry and assessment for all populations).

Explore Collaboration with Cities in North and East King County. As requested, engage cities interested in supporting affordable housing in north and east King County that are not currently members of ARCH. Explore collaboration that provides benefits for additional cities and current ARCH member cities.

III. HOUSING PROGRAM IMPLEMENTATION

A. Administration of Housing Incentive and Inclusionary Programs

ARCH partners with member cities to administer local housing incentive and inclusionary programs, including mandatory inclusionary, voluntary density bonus, multifamily tax exemption (MFTE) and other programs. Specific programs administered by ARCH include:

Jurisdiction	Incentive/Inclusionary Programs
Bellevue	Voluntary density bonuses, MFTE, impact fee waivers.
Bothell	Inclusionary housing.
Issaquah	Development agreements, voluntary and inclusionary programs, impact and permit fee waivers.
Kenmore	Voluntary density bonuses, MFTE, impact fee waivers.
Kirkland	Inclusionary program, MFTE.
Mercer Island	Voluntary density bonus, MFTE.
Newcastle	Inclusionary program, impact fee waivers.
Redmond	Inclusionary program, MFTE.
Sammamish	Inclusionary and voluntary density bonuses, impact fee waivers.
Woodinville	MFTE.
King County	Development agreements.

ARCH roles and responsibilities will typically include:

- Communicate with developers/applicants and city staff to establish applicability of codes and policies to proposed developments
- Review and approve proposed affordable housing (unit count, location/distribution, bedroom mix, and quality)
- Review and recommend approval of MFTE applications.
- Review and recommend approval of alternative compliance proposals
 - For fee in lieu projects, provide invoices and receipts for developer payments
- Develop contracts and covenants containing affordable housing requirements
- Ensure implementation of affordable housing requirements during sale/lease-up
- Register MFTE certificates with County Assessor and file annual MFTE reports with state Commerce.
- On-going compliance monitoring (see Stewardship, below).

[MyBuildingPermit.com](https://www.mybuildingpermit.com/). Explore feasibility of using MyBuildingPermit.com to take in, review, and process projects (covenants) using land use and/or MFTE programs.

B. Stewardship of Affordable Housing Assets

ARCH provides long-term oversight of affordable housing created through city policies and investment to ensure stewardship of these critical public assets for residents, owners and the broader community.

Monitoring Affordable Rental Housing. Enforce ongoing compliance with affordability requirements in rental housing projects created through direct assistance (e.g. Trust Fund allocation, land donations) from member jurisdictions, and through incentive and inclusionary programs. For Trust Fund projects, monitor project income and expenses to determine cash flow payments, and conduct long-term sustainability monitoring of projects and owners. Proactively problem-solve financial and/or organizational challenges in partnership with project owners and other funders.

Dedicate new staff to developing a more robust program of monitoring and enforcement, including developing procedures for on-site file audits, standard remedies for non-compliance, and training and technical assistance for property managers. In addition, work with cities to implement fee structures that build more sustainable monitoring efforts, and develop formal MOUs with other funders to govern shared monitoring responsibilities. To the extent feasible, establish working relationship with other public organizations that can help assess how well properties are maintained and operated (e.g. code compliance, police, and schools).

ARCH Homeownership Program. Provide effective administration to ensure ongoing compliance with affordability and other requirements in ARCH ownership housing, including enforcement of resale restrictions, buyer income requirements, and owner occupancy requirements. In addition, work with cities to address non-compliance.

Dedicate new staff to continue implementing changes to monitoring policies and procedures recommended in the 2019 Program Assessment from Street Level Advisors, including but not limited to:

- Convene member planning and legal staff to implement revisions to boilerplate legal documents, in consultation with key stakeholders.
- Institute regular monitoring schedule to verify owner occupancy
- Develop fee revenue policies to improve sustainability of program administration
- Develop strategies to preserve homes at risk of foreclosure
- Continue to evaluate staff capacity to maintain oversight as the number of ARCH homes continues to grow.

In addition, develop a strategic direction for the program that preserves long-term affordability and meets other important public policy objectives.

Program Database Development. Continue to transition ARCH to new database systems to better manage existing and to be collected program data and support other critical functions, including creation of program reports, project compliance monitoring, communication with program participants, and other functions.

IV. EDUCATION AND OUTREACH

A. Housing 101/Education Efforts

Housing 101. Develop educational tools and conduct or support events to inform councils, member staff and the broader community of current housing conditions, and of successful housing programs. Build connections with community groups, faith communities, developers, nonprofits and others interested in housing issues. Plan and conduct a Housing 101 event to occur no later than the end of 2020.

Private Sector Engagement. Support efforts by ARCH member cities to engage employers and private sector entities in discussions around the need for more affordable housing and identifying options for public-private partnerships.

Share media coverage on topics related to affordable housing in East King County, including work done by cities/ARCH.

B. Information for the Public

ARCH Website. Update on a regular basis information on the ARCH website, including information related to senior housing opportunities. Maintain the ARCH web site and update the community outreach portion by incorporating information from Housing 101 East King County, as well as updated annual information, and links to other sites with relevant housing information (e.g. All Home, HDC). Add information to the website on ARCH member affordable incentive programs and fair housing.

Assist Community Members Seeking Affordable Housing. Maintain lists of affordable housing in East King County (rental and ownership) and make that information available to people looking for affordable housing. Continue to maintain a list of households interested in affordable ownership and rental housing and advertise newly available housing opportunities.

Work with other community organizations and public agencies to develop appropriate referrals for different types of inquiries received by ARCH (e.g., rapid re-housing, eviction prevention, landlord tenant issues, building code violations, fair housing complaints, etc.).

C. Equitable Access to Affordable Housing in East King County

Collect data on existing programs to determine potential gaps in access by different populations, such as communities of color, immigrant and refugee communities, homeless individuals and families, and workers in EKC commuting from other communities. Pursue strategies to increase access to affordable housing in EKC by underserved communities. Develop outreach and marketing efforts to maximize awareness of affordable housing opportunities in East King County, and build partnerships with diverse community organizations.

V. ADMINISTRATION

A. Administrative Procedures

Maintain administrative procedures that efficiently and transparently provide services to both members of ARCH and community organizations utilizing programs administered through ARCH. Activities include:

- Prepare the Annual Budget and Work Program and ensure equitable allocation of administrative costs among ARCH members.
- Prepare quarterly budget performance and work program progress reports, Trust Fund monitoring reports, and monitor expenses to stay within budget.
- Manage the ARCH Citizen Advisory Board, including recruiting and maintaining membership that includes broad geographic representation and a wide range of housing and community perspectives.
- Staff the Executive Board.
- Work with Administering Agency to streamline financial systems.
- Renew the ARCH Interlocal Agreement.

B. Organizational Assessment and Planning

The ARCH Executive Board will continue to evaluate ARCH's organizational capacity to accomplish its Work Program and broader mission. The Board will review ARCH's organizational structure, staffing resources, capital resources and other foundational aspects of the organization to determine any gaps, and assess options for expanding organizational capacity. The assessment will result in recommendations for the following year's work program and budget, and a decision to renew or recommend revisions to the ARCH Interlocal Agreement.

Attachment A
Local Planning Efforts by City

ARCH staff plan to assist members' staff, planning commissions, and elected councils in the following areas:

Bellevue

Implementing Bellevue's Affordable Housing Strategy, including:

- Increasing development potential on suitable land owned by public agencies, faith-based groups, and non-profits housing entities.
- Reviewing parking requirements and other code changes to encourage micro-apartments around light rail stations.
- Updating Wilburton and East Main neighborhood plans, including affordable housing density incentives.
- Developing funding strategy for affordable housing on suitable public lands in proximity to transit hubs including 130th TOD parcels and TOD parcels at the OMFE.

Bothell

Implementing its Housing Strategy Plan.

Establishing an MFTE program.

Evaluating affordable housing provisions related to zoning and other code amendments and implementing those adopted.

Work related to affordable housing component of the city's LIFT program in their downtown areas. Includes assisting with any reporting requirements and potentially exploring additional opportunities for affordable housing on city owned properties in the downtown revitalization area.

Evaluating the updated state legislation regarding impact fee waivers for affordable housing and explore potential revisions to local regulations related to impact fee waivers for affordable housing.

Evaluating and implementing affordable housing strategies in its Canyon Park plan.

Issaquah

Preparing the annual Affordable Housing Report Card/Analysis.

Updating and consolidating Title 18 and Central Issaquah Development and Design Standards.

Evaluating and, as needed, implementing development standards and regulations related to the housing policies adopted in the Central Issaquah Plan and Central Issaquah Standards, including inclusionary zoning.

Evaluating and strategizing sequencing potential projects/opportunities such as those near transit facilities, including coordination with potentially utilizing the King County TOD funds.

Initial work on high priority strategies identified in the Housing Strategy Work Plan including:

- Improving marketing and the understanding of ADUs and the development process.
- Facilitating development of a TOD.
- Amending codes to increase allowed diverse housing types such as SROs and cottage housing.
- Supporting housing options and services to assist people experiencing housing insecurity and those with barriers to independent living.

Marketing and maximizing awareness of affordable housing opportunities in Issaquah.

Kenmore

Implementing a high priority item identified in the Housing Strategy Plan.

Completing the Preservation of Affordable Housing/Mobile Home Park project started in 2018, including assistance with developing regulations to implement Council's policy direction on land use and other strategies.

Reviewing current code provisions and permitting process for Accessory Dwelling Units (ADUs).

Assisting with technical questions and negotiating agreements where affordable housing is proposed including the Transit Oriented District (TOD) overlay.

Reviewing and developing options and opportunities for partnerships to incorporate affordable housing into transit projects including the siting of parking structures in Kenmore for the Sound Transit ST3 proposal.

Kirkland

Implementing programs to encourage construction of more ADUs.

Housing-related issues in on-going neighborhood plan updates.

Developing regulations to promote transit-oriented development (TOD) at the Kingsgate Park and Ride, including affordable housing.

Housing issues that come before Council Planning and Economic Development Committee and resulting initiatives.

Housing issues related to Station Area Plan (I-405/NE 85th Street).

Affordable housing preservation efforts and initiatives.

Mercer Island

Reviewing the City's MFTE program and evaluating options for a fee-in-lieu alternative to land use requirements.

Updating the Housing Strategy Plan.

Reviewing components of residential development standards that are associated with housing stock diversity.

Newcastle

Updating the Housing Strategy Plan.

Outreach efforts related to ADUs.

Redmond

Implementing strategies to increase the level of affordability for new housing in Overlake and Southeast Redmond as part of the development of master plans and development agreements, including exploring ways to leverage other resources.

Promoting affordable housing and other programs available to Redmond residents and developers, e.g., Accessory Dwelling Units (ADUs).

Implementing other high priority items identified in the City Council's 2019 Strategic Plan.

Updating the Strategic Housing Plan and the Affordable Housing Strategies Work Plan of June 2016, such as encouraging public/private partnerships to promote the development of affordable housing in urban centers.

Sammamish

Implementing the Housing Strategy Plan.

Finalizing resale requirements and other tasks related to the affordability provisions for site donated to Habitat.

Exploring impacts to and solutions for affordable housing related to code and policy updates during legislative review.

Promoting available housing assistance and affordable housing programs to Sammamish's workforce and residents.

Woodinville

Updating the Housing Strategy Plan.

Reviewing and updating affordable housing and accessory dwelling unit programs and regulations.

Evaluating and developing incentives for affordable housing as provided for in the Downtown/Little Bear Creek Master Plan area.

Reviewing components of residential development standards that are associated with housing stock diversity.

King County

Monitoring affordable housing in the Northridge/Blakely Ridge and Redmond Ridge Phase II affordable housing development agreements.

ARCH Housing Trust Fund Parity Goals
(as of September 2019*)

City	2019 General Fund Contributions	2019 CDBG	Low Goal	High Goal	Estimated HB 1406 Revenue**
Beaux Arts Village	\$0	-	\$53	\$1,816	494
Bellevue	\$412,000	-	\$681,807	\$1,054,164	591,847
Bothell	\$78,000	-	\$173,394	\$314,235	54,336
Clyde Hill	\$25,000	-	\$0	\$18,431	5,609
Hunts Point	\$2,500	-	\$0	\$2,542	1,246
Issaquah	\$153,000	-	\$170,941	\$348,067	125,467
Kenmore	\$40,000	-	\$53,297	\$179,420	19,752
Kirkland	\$415,000	\$128,012	\$343,916	\$528,052	195,134
Medina	\$12,340	-	\$0	\$19,642	9,103
Mercer Island	\$50,000	-	\$17,766	\$146,903	36,318
Newcastle	\$27,000	-	\$13,058	\$75,116	11,564
Redmond	\$500,000	\$123,308	\$296,200	\$613,357	255,488
Sammamish	\$100,000	-	\$31,978	\$384,176	52,235
Woodinville	\$50,000	-	\$56,589	\$151,633	57,205
Yarrow Point	\$1,750	-	\$0	\$6,446	2,280
N/E CDBG		\$113,302	N/A	N/A	N/A
Total	\$1,764,090	\$364,622	\$1,839,000	\$3,844,000	1,418,078
Total = \$2,128,172			Midpoint = \$2,841,500		

*Goals are updated based on the most recent annual CPI figures.

**Based on 2018 revenues. Actual tax authority will be established based on state fiscal year 2019 sales.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5612
November 19, 2019
Consent Calendar

AGENDA BILL INFORMATION

TITLE:	AB 5612: Groveland Park Repairs and Shoreline Improvements Project Closeout	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Accept the Groveland Park Repair and Shoreline Improvements Project and authorize the close out of the construction contract.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Parks and Recreation
STAFF:	Paul West, Capital Project and Planning Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ 967,627
AMOUNT BUDGETED	\$ 981,655
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The Groveland Park Repair and Shoreline Improvements Project accomplished the following:

- Removed the small swimming pier,
- Repaired the large swimming pier,
- Installed wave attenuators to protect the beach,
- Recontoured the bank north of the beach to stabilize the shoreline, and
- Spawning gravel and new plantings improved the shoreline habitat in this area.

The Groveland Park shoreline reopened for public use in 2019.

BACKGROUND

City Council authorized the project to bid in March 2018 (see [AB 5391](#)) and awarded the construction project to American Construction Co. in May 2018 (see [AB 5424](#)). Construction began in August 2018. Substantial completion was reached in December 2018 and work was completed at the end of February 2019. The Washington State Department of Labor and Industries issued a retainage release letter on September 5, 2019. The total cost of the completed construction project is \$967,627, which is 98.6% of the approved budget. Four change orders were issued. They are summarized in Table 1 on the next page:

Table 1: Summary of Change Orders		
Change Order	Description	Cost
1	Additional handrail, pile splices, bracing and side sewer modification	\$ 91,720.56
2	Additional cross bracing	\$ 6,012.08
3	Extend contract expiration to February 1, 2019	\$ 0.00
4	Extend contract expiration to March 1, 2019	\$ 0.00

The project also required additional \$16,000 for coastal engineering services to further design the wave attenuators. The change orders and additional expenses were within the total project budget due to adequate contingency funding and cost savings in other categories.

Table 2 below summarizes actual expenditures compared to the approved project budget.

Table 2: Summary Budget to Actual Costs		
Description	Project Budget	Actual Costs
Construction Contract	\$704,550	\$699,050
Construction Contingency (15%)	\$105,700	\$97,733
Construction Support Services	\$35,110	\$13,293
Design/Consultants	\$54,700	\$82,239
Project Management	\$48,060	\$37,380
Permitting	\$15,485	\$9,970
DNR Lease Preparation	\$11,000	\$16,959
1% for the Arts	\$7,050	\$7,050
Miscellaneous Expenses	-	\$3,953
Total Project Cost	\$981,655	\$967,627

Project acceptance by City Council is the final step in the “close-out” of this public works project.

RECOMMENDATION

Accept the completed Groveland Park Repair and Shoreline Improvements Project and authorize the close out of the construction contract.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5634
November 19, 2019
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5634: Reimbursement Agreement for Environmental Remediation with Atlantic Richfield Company and Seller of the 7810 SE 27 th Street (ARCO) Property for the City's Proposed Commuter Parking & Mixed-Use Project.	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Authorize the Interim City Manager to execute the environmental remediation Reimbursement Agreement in substantially the form attached as Exhibit 1	

DEPARTMENT:	City Attorney
STAFF:	Bio Park, Interim City Attorney
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Reimbursement Agreement and attached Figure A
CITY COUNCIL PRIORITY:	2. Prepare for Light Rail and Improve Mobility

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The purpose of this agenda bill is to authorize a Reimbursement Agreement ("Agreement") for environmental remediation with Atlantic Richfield Company ("ARC") and the current owners (collectively, "Seller") of the 7810 SE 27th Street property, also known as the ARCO (f/k/a Tully's) property ("Property"), and surrounding areas. City staff and outside legal counsel have been engaged in negotiations with ARC's representatives at BP/ARCO, in efforts to obtain an Agreement for ARC to pay certain past and future costs related to environmental cleanup. ARC is a prior owner known to have operated a gasoline service station on the Property. The Agreement represents a positive step forward for the City's proposed Commuter Parking & Mixed-Use Project to serve the future Sound Transit East Link light rail station.

BACKGROUND

On June 5, 2018, the City Council approved a Purchase and Sale Agreement ("PSA") between the City of Mercer Island and the Seller of the Property. Since then, the City has been actively engaged in environmental due diligence. The Seller has extended the due diligence period several times to allow time for the City's environmental consultant, Aspect Consulting, LLC, to conduct Phase I and Phase II environmental assessment work. The purpose of the environmental assessment work was to determine the vertical and horizontal

extent of contamination on the Property, on an adjacent portion of Sunset Highway to the north that the City owns, and on certain WSDOT-owned property to the east and north beyond Sunset Highway. During the due diligence period, the City's environmental legal counsel, Jeff Kray of Marten Law L.L.P., and outside counsel, Kari Sand of Ogden Murphy Wallace P.L.L.C. (former Mercer Island City Attorney), worked with Seller's legal counsel to engage in negotiations with BP/ARCO, which culminated in this Reimbursement Agreement.

KEY TERMS OF THE REIMBURSEMENT AGREEMENT

Operations at the former ARCO gasoline service station routinely used petroleum hydrocarbons (contaminants) at the Property between approximately 1955 and 1992. These contaminants impacted the Property and migrated to surrounding areas, including the SE 27th Street right-of-way ("ROW")¹, which areas are collectively referred to as "the Site." State environmental law requires sitewide remediation, not just the portion of a site contemplated for redevelopment. As the proposed future owner of the ARCO Property, the City is therefore required to prepare a cleanup action plan for the entire Site and cannot limit the cleanup effort to the City's proposed redevelopment footprint. Currently, the City's proposed Commuter Parking & Mixed-Use Project ("Project") footprint includes all the Site areas (including potentially areas A-2 and B-2 that WSDOT now owns), except for areas B-1, B-3, and the I-90 right-of-way, which are located outside of the City's proposed Project footprint.

Following extensive negotiations to address Site contamination, the Reimbursement Agreement provides that ARC will reimburse certain "incremental costs"² arising from excavation, segregation, transport and disposal of contaminated soil at the Site in the following percentages for the areas shown in Figure A of the Agreement:

Area of Site	Current Owner	Contaminated Soil Reimbursement
ARCO (Tully's)	Seller (Burton / Buty)	100%
SE 27 th Street ROW	Seller (Burton / Buty)	100%
A-1 (Parcel 12)	City of Mercer Island	75%
A-2	WSDOT	35%
*B-1 (Parcel 12)	City of Mercer Island	0%
B-2	WSDOT	100%
B-3	WSDOT	0%

*Indicates an area outside of the City's proposed Project footprint.

In addition to the above, ARC will reimburse the following:

- (1) 85% of incremental costs arising from remediation and monitoring of soil gas (vapor) and groundwater contamination³ at the Site;
- (2) 90% of the incremental costs arising from general investigation, assessment, delineation, reporting, and similar Site-wide tasks; and

¹ The City's proposed purchase of the ARCO Property includes the abutting SE 27th Street ROW. Street rights-of-way are primarily easements for public travel and serve other secondary street purposes, such as utilities. As the proposed, future owner of the ARCO Property abutting SE 27th Street, the City and / or its developer partner may need to perform utility work in the SE 27th Street ROW and clean up any contaminants potentially encountered there.

² "Incremental Costs" is a defined term in the Reimbursement Agreement (Section 5.1); for brevity's sake, the term essentially means only the increase above and beyond the costs that the City or a Developer would have incurred in the absence of contamination.

³ Because soil gas (vapor) and groundwater are not solid materials, percentages were not applied to specific areas within the Site.

- (3) 100% of “past costs”⁴ incurred by the City and Seller, supported with reasonable documentation.

The reimbursement percentages for contaminated soil are based on the likelihood of contaminants in the soil having originated from the former ARCO station operations. For example, the contaminated soil reimbursements for the ARCO and abutting SE 27th Street ROW areas reflect 100% reimbursement because no other viable potential sources of these contaminants have been identified; by contrast, the A-2 area reflects a more modest reimbursement of 35% because the data shows the contaminants are downgradient of the adjacent property to the west, a former Exxon-Mobil Station. The reimbursement percentages for Site-wide tasks (90%) and soil gas (vapor) and groundwater contamination (85%) reflect that the vast majority of cleanup costs are attributable to the former ARCO station operations.

The City intends to pursue additional funding sources, such as potential recovery from insurance, in order to bridge any gap between what ARC is paying and the full cost of the Site cleanup effort. Aspect estimates the Site cleanup will cost between approximately \$9M with redevelopment and approximately \$19M without redevelopment.

NEXT STEPS

The City intends to complete the acquisition of the Property pursuant to the PSA with the Seller by year-end. The City’s goal remains to redevelop the Property, together with the adjacent portion of Sunset Highway (a/k/a Parcel 12) that the City already owns, and a small portion of WSDOT property in order to provide long-term transit commuter parking underground and a mixed-use development above ground. It is anticipated that the City’s development partner (MainStreet Property Group) will construct the Project, including subgrade excavation activities. If the Project does not proceed, the City may consider alternative uses for the Property, which may or may not include subgrade excavation activities. In either scenario, the Property and surrounding areas affected by petroleum contamination will be cleaned up with ARC funding according to the above-listed reimbursement percentages and with oversight from the Washington State Department of Ecology (“Ecology”).

As the current owner of Parcel 12 and future owner of the ARCO Property, the City takes seriously its responsibility to develop and implement a cleanup action plan for the Site. Based on the detected concentrations of gasoline-range petroleum hydrocarbons and general groundwater flow direction (to the northeast), contaminated groundwater may have migrated onto the north-adjacent I-90 right-of-way. Additional data is needed to bound the extent of contamination in groundwater along the Site’s northern boundary. Aspect proposes installing three supplemental groundwater monitoring wells in the I-90 offramp for Exit 7B to delineate the lateral and vertical extent of potential petroleum contamination in soil and groundwater beneath I-90 that originated from the former ARCO station. Aspect is in the process of obtaining a permit from WSDOT for installation of these wells to obtain additional data and expects to have the results in the first quarter of 2020.

The City’s environmental cleanup objective for the Site is to achieve regulatory closure in the form of a written determination from either Ecology or the Washington Pollution Liability Insurance Agency (“PLIA”), stating that no further remedial action is necessary. The City plans to achieve regulatory closure under either

⁴ “Past Costs” is a defined term in the Reimbursement Agreement (Section 6) and includes, among other things, environmental consultants’ fees and attorneys’ fees incurred prior to the effective date of the Reimbursement Agreement. The City’s estimate of its Past Costs is \$400,000 to \$500,000, which ARC will reimburse within 45 days of the City providing supporting documentation. The ARC reimbursement will be distributed between the City’s General Fund and Contingency Fund to restore the original appropriations from those funds.

an agreed order or consent decree with Ecology or PLIA. The remedial work will be conducted in accordance with applicable laws and regulations, including but not limited to the Washington Model Toxics Control Act, chapter 70.105D RCW and chapter 173-340 WAC.

With the ARC Reimbursement Agreement in place and the Property acquired, the City will be in position to continue development planning and to initiate regulatory oversight discussions with Ecology or PLIA.

RECOMMENDATION

Authorize the Interim City Manager to execute the environmental remediation Reimbursement Agreement with the Atlantic Richfield Company and the Seller of the 7810 SE 27th Street property, in substantially the form attached as Exhibit 1, for the City's proposed Commuter Parking & Mixed-Use Project.

REIMBURSEMENT AGREEMENT

This REIMBURSEMENT AGREEMENT (“Agreement”) is made as of November ____, 2019 (the “Effective Date”), by and between ATLANTIC RICHFIELD COMPANY, a Delaware corporation (“ARC”); BUTY LIMITED PARTNERSHIP, a Washington limited partnership; JEAN MITCHELL BURTON TESTAMENTARY TRUST; MARTIN M. BURTON IRREVOCABLE TRUST, dated April 16, 1987; SHELLEY LYNN BURTON, as her separate estate; SHELLEY LYNN BURTON TRUST; and MELISSA MARY BURTON TRUST (collectively, “Owner”); and the CITY OF MERCER ISLAND, a Washington municipal corporation (“the City”). ARC, Owner, and the City are referred to collectively as the “Parties.”

RECITALS

A. Owner owns real property commonly known as 7810 SE 27th Street, Mercer Island, Washington 98040 (King County Tax Parcel No. 531510-1235) (the “Property” (shown as “ARCO” on attached Figure A)).

B. ARC formerly leased the Property and owned and operated a gasoline service station thereon (the “ARCO Station”). Contamination arising out of and resulting from operation of the service station has impacted the Property and allegedly has impacted certain adjacent areas and properties, including rights-of-way. The Property and these adjacent areas and properties shall be referred to herein as the “Site,” which shall be defined as anywhere contaminants originating on or from the Property have come to be located.

C. The City and Owner are parties to that certain Purchase and Sale Agreement dated June 7, 2018 pursuant to which the Owner intends to sell the Property to the City. The City is exploring the possibility of developing a mixed-use project with multiple levels of underground parking on the Property and an adjacent parcel (the “Project”). It is anticipated that a developer (hereinafter “Developer”) would perform the Project, including subgrade excavation activities.

D. In the event the Project does not proceed, the City may consider alternative uses for the Property, which may or may not include subgrade excavation activities. In any scenario under which the City acquires the Property, the City may conduct the remediation required by the Washington State Department of Ecology (“Ecology”) or the Pollution Liability Insurance Agency (“PLIA”) to achieve regulatory closure for the Site as described in Section 2 below.

E. Owner and the City have incurred costs, including consulting charges and legal fees, in response to contamination attributable to the ARCO Station. The City expects to incur future costs in the course of achieving regulatory closure for the Site, whether or not the City proceeds with the Project. If the Project is undertaken, Developer (or its assignees) will also incur such future costs.

F. Without admitting any liability, ARC desires to reimburse the City and Owner for past costs, as well as the City or Developer (or Developer’s assignees) for future incremental costs incurred in response to contamination on, beneath, or migrating from the Property, pursuant to the terms of this Agreement.

NOW THEREFORE, in consideration of the above and the mutual covenants and agreements herein, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENTS

1. Recitals Incorporated. The Recitals above are hereby incorporated herein as though fully restated.

2. Remedial Work. The City or Developer (or Developer's assignees) may take actions necessary to obtain either: (a) a written determination from Ecology or PLIA stating that no further remedial action is necessary at the Site ("NFA Determination"), or (b) a formal determination from Ecology closing the Site pursuant to an agreed order, consent decree, or prospective purchaser agreement ("Ecology Determination"). It shall be within the sole discretion of the then current owner of the Property whether to accept an NFA Determination or Ecology Determination subject to institutional controls or deed restrictions. Consultants retained by the City or Developer (or Developer's assignees) will oversee and guide all remedial activities performed at the Site in response to contamination, including all assessment, characterization, sampling and analysis, profiling, handling, management, treatment, collection, discharge, transportation, and disposal (collectively, the "Remedial Work"). The Remedial Work will be conducted in accordance with applicable laws and regulations, including but not limited to the Washington Model Toxics Control Act, Chapter 70.105D RCW and Chapter 173-340 WAC ("MTCA"). The City or Developer will procure and maintain in effect during performance of the Remedial Work all permits and government approvals necessary to conduct the Remedial Work in a manner intended to obtain an NFA Determination or Ecology Determination.

3. Assistance and Cooperation. The Parties will cooperate fully in the conduct of all actions necessary to complete the Remedial Work and obtain an NFA Determination or Ecology Determination. The City will timely inform ARC of decisions concerning the development of the Project or of alternative uses for the Property, including the effect of such decisions on the type and cost of the Remedial Work that the City or Developer expect to undertake. The Parties will further cooperate in good faith to minimize the cost of the Remedial Work to the extent reasonably practicable, including but not limited to consideration of the use of institutional controls and deed restrictions, subject to existing applicable legal requirements to obtain an NFA Determination or Ecology Determination.

4. ARC Observation of Remedial Work; Access. ARC shall have the right, at ARC's sole cost and expense, to have a technical consultant present at the Property and/or Site to observe the Remedial Work. The City or Developer shall provide reasonable access to the Property and/or Site for ARC to observe the Remedial Work, such access to be granted in writing through a negotiated Access Agreement by the City or Developer prior to ARC's entry onto the Property and/or Site. ARC covenants to release, defend, indemnify, and hold harmless the City, and/or Developer from any and all claims arising from ARC's access to and presence on the Property and/or Site to observe the Remedial Work. The City or Developer will promptly provide ARC with copies of all reports and data submitted to Ecology or PLIA with respect to the Site.

5. Incremental Costs Reimbursement. The Parties agree that as of the time of execution of this Agreement, the Site has not been fully characterized. The Parties further agree that complete characterization of the horizontal and vertical extent of any and all contaminants in, on, beneath, and emanating or migrating to or from the Property is necessary to define the boundaries of the Site and plan the Remedial Work. Without admitting any liability, ARC desires to reimburse the City or Developer (or Developer's assignees) for a percentage of the Incremental Costs that the City or Developer will incur in response to contamination at the Site.

5.1 Incremental Costs Definition. Subject to Section 6, ARC shall reimburse the City or Developer (or Developer's assignees) for a specified percentage of the "Incremental Costs" incurred before or after the Effective Date of this Agreement. "Incremental Costs" shall mean: (1) costs incurred by the City or Developer to respond to contamination; and (2) costs incurred in connection with Project development (or alternative uses for the Property) on and beneath the Site and in connection with either an NFA Determination or Ecology Determination, in the case of both (1) and (2) that: (a) are reasonably necessary for Project development (or alternative uses for the Property) or to obtain an NFA Determination or Ecology Determination; and (b) reflect and represent only the increase above and beyond the costs that the City or Developer would have incurred in the absence of contamination. By way of example and illustration, Incremental Costs include, without limitation, consultant charges, contractor charges, laboratory charges, attorneys' fees, agency fees, or other costs arising from the following:

- a. Segregating known or suspected contaminated soil, water, or groundwater from uncontaminated soil, water, or groundwater;
- b. Treating, handling, managing, removing, transporting, or disposing of Contaminated Soil (as defined in Section 5.2);
- c. Removing or decommissioning underground storage tanks, piping, or other improvements or equipment associated with former operations of the ARCO Station;
- d. Testing, sampling, or characterizing soil, soil gas, water, or groundwater known to contain, or suspected of containing, contamination;
- e. Installing and monitoring borings and groundwater wells at the Site for the purpose of assessing the distribution and remediation of contamination, including investigation, performance, and compliance monitoring;
- f. Treating, collecting, and/or disposing of contaminated water or groundwater;
- g. Designing and installing any vapor barrier or similar preventative measures as may be necessary or required (in the City's or Developer's discretion) to protect the Project (or alternative uses for the Property) and future occupants of the Project (or alternative uses for the Property) from any contaminants that may remain in soil, soil gas, or groundwater at the Site after the Remedial Work is completed;
- h. Purchasing, transporting, placing, and compacting any clean fill materials used to replace Contaminated Soil, but only to the extent that excavated soil cannot be re-used as part of the Project or alternative uses for the Property because it contains contaminants in concentrations exceeding levels acceptable for re-use;

- i. Over-excavating, backfilling, dewatering, and shoring necessary to address contamination beyond the planned excavation limits for the Project or alternative uses for the Property, if applicable;
- j. Obtaining permits or government approvals necessary to dispose of contaminated soil, water, or groundwater;
- k. Documenting and reporting the Remedial Work as necessary to satisfy applicable laws and regulations and to obtain an NFA Determination or Ecology Determination including subsequent reporting obligations;
- l. Communicating with Ecology or PLIA concerning the actions taken with respect to the Site and concerning an NFA Determination or Ecology Determination;
- m. Additional fees (but with regard to HAZWOPER training and other worker certification costs, only such training and costs associated with employees of the City or Developer, but not third-party contractors), contractor mark-ups applied to Incremental Costs, taxes (including applicable Washington State Sales Tax applied to Incremental Costs), insurance costs, and mitigation measures with respect to potential impacts to adjacent or impacted properties; and
- n. All fees and costs paid by the City or Developer to Ecology or PLIA with regard to review and oversight activities as part of any request for a NFA Determination or Ecology Determination.

5.2 Reimbursement Percentages.

a. ARC shall reimburse 90% of the Incremental Costs arising from general investigation, assessment, delineation, reporting, and similar Site-wide tasks.

b. ARC shall reimburse 85% of the Incremental Costs arising from remediation and monitoring of soil gas and groundwater contamination at the Site.

c. ARC shall reimburse Incremental Costs arising from excavation, segregation, transport and disposal of Contaminated Soil at the Site at the following percentages for the areas shown on Figure A (Survey & Legal Descriptions):

ARCO (Property) – 100%

A-1 – 75%

A-2 – 35%

B-1 – 0%

B-2 – 100%

B-3 – 0%

SE 27th Street right-of way south of the Property – 100%

For purposes of this Agreement, “Contaminated Soil” shall mean any soil that qualifies as Category 2 or higher under Ecology’s Guidance for Remediation of Petroleum Contaminated Sites, dated June 2016 or any subsequent versions promulgated by Ecology, or which contain contaminant concentrations exceeding applicable Method A Cleanup Levels under the MTCA. With respect to excavation, segregation, transport, and disposal of Contaminated Soil,

“Incremental Costs” shall be established by taking the total costs the City or Developer, or assignees thereof, incur for excavating, segregating, transporting, and disposing of Contaminated Soil less the total costs the City or Developer, or assignees thereof, would have otherwise incurred to excavate, segregate, transport, and dispose of “clean,” uncontaminated soil.

5.3 Survival. ARC’s reimbursement obligations under this Section 5 shall continue to apply if, subsequent to an NFA Determination or Ecology Determination, any of the following occurs: (a) Ecology, or any local, state, or federal government agency, requires additional Remedial Work at the Site in response to contamination attributable to the former ARCO Station; (b) governing environmental laws change in such a manner that soil, soil gas, water, or groundwater conditions at the Site no longer meet applicable cleanup standards; (c) additional contamination attributable to the former ARCO Station and requiring Remedial Work is discovered at the Site or otherwise impacts the Property after the NFA Determination or Ecology Determination is issued; and/or (d) a “reopener” or other provision of an NFA Determination or Ecology Determination requires further investigation or remediation work, including without limitation any periodic reviews (*e.g.*, 5-year reviews, ongoing groundwater monitoring) to confirm that the selected remedy continues to protect human health and the environment under the MTCA or other applicable laws and regulations.

6. Past Costs Reimbursement. ARC shall reimburse Owner and the City, or assignees thereof, for “Past Costs”. “Past Costs” shall mean costs incurred by Owner and the City for Remedial Work at the Site, including without limitation environmental consultants’ fees and attorneys’ fees, incurred prior to the Effective Date of this Agreement. Owner’s current estimate of its Past Costs is \$60,000 to \$100,000. The City’s estimate of its Past Costs is \$400,000 to \$500,000. Owner and the City shall provide ARC with reasonable documentation to support their respective claims for Past Costs. Reimbursement for Past Costs shall be due to Owner and the City, respectively, within 45 days after the latest of (a) ARC’s receipt of the supporting documentation, (b) the Effective Date of this Agreement, and (c) ARC’s receipt from Owner and the City of a signed W-9 tax form or other reasonable documentation required by ARC for accounting purposes. If ARC disputes any of the Past Costs, it shall deliver to Owner or the City during the 45-day period a written objection identifying the specific Past Costs that are in dispute and the reasons for the dispute. ARC shall timely pay all Past Costs that are not in dispute. Any disagreement concerning a Past Cost that cannot be resolved shall be submitted to dispute resolution in accordance with Section 9.

7. Future Reimbursement Requests and Payment. The City or Developer (or Developer’s assignees) may, from time to time but no more frequently than every 30 days, deliver to ARC a request for reimbursement of Incremental Costs. Reimbursement requests shall include a detailed accounting of the costs incurred in the period covered by the reimbursement request together with all invoices and supporting documentation. ARC shall pay the amount stated in the reimbursement request within thirty (30) days after it is delivered to ARC, unless ARC delivers to the City or Developer before such deadline a written objection identifying the specific Incremental Costs that are in dispute and the reasons for the dispute. ARC shall timely pay all Incremental Costs that are not in dispute. Any disagreement concerning a reimbursement request that cannot be resolved shall be submitted to dispute resolution in accordance with Section 9.

8. Release and Hold Harmless.

8.1 Upon receipt of their respective payments required under Section 6, Owner and the City fully release and discharge ARC from all claims, of any nature, known or unknown, asserted or unasserted, for Past Costs.

8.2 ARC hereby fully releases Owner and the City, and their respective heirs, members, managers, officers, directors, successors and assigns, from all claims, of any nature, known or unknown, asserted or unasserted, past, present or future, related to the release or threatened release, or both, of contamination from the ARCO Station. Additionally, ARC shall defend, indemnify, and hold Owner and the City, and their respective heirs, successors and assigns, harmless from all third-party claims, including claims from any governmental agency, of any nature, known or unknown, asserted or unasserted, past, present or future, related to the release or threatened release (or both) of contamination from the ARCO Station.

8.3 Nothing in this Section 8 shall be read to release or discharge ARC, Owner, or the City, or their respective assigns, from any claim for breach of this Agreement.

9. Dispute Resolution. Any dispute under this Agreement shall be resolved in accordance with this Section, including disputes regarding Incremental Costs. The Parties shall continue to perform their respective obligations that are not in dispute during the course of any dispute resolution or other proceeding under this Agreement. The Parties shall negotiate in good faith to resolve any dispute. The Party initiating dispute resolution under this Section shall provide written notice to all other Parties. The Parties shall meet in person or via teleconference within ten (10) calendar days of the receipt of written notice to confer and seek to resolve amicably all matters in dispute. If the Parties are unable to agree upon a resolution to the dispute within fifteen (15) calendar days of the submission of the written notice of the dispute, then the dispute shall be submitted to mediation with a mediator in Seattle, Washington to which the Parties agree. If the Parties fail to agree upon a mediator, the Washington Arbitration and Mediation Service shall appoint a mediator upon the request of any Party. The mediation shall be non-binding on all Parties, the Parties shall equally share the cost of the mediator, and each Party shall bear its own attorneys' fees and expenses in the mediation. The mediation shall occur within forty-five (45) days of the initial provision of written notice. In the event the mediation is unsuccessful and the Parties are not able to resolve the dispute, each Party preserves all rights and defenses available to it under applicable laws, and may pursue litigation at any time following conclusion of mediation. Venue for any litigation arising out of this Agreement shall be in King County Superior Court. The prevailing party in any such litigation shall be awarded its reasonable attorney's fees and costs; provided, however, that if no Party completely prevails then the court shall award a portion of the reasonable attorney's fees and costs as it deems appropriate.

10. Notices. All notices and other communications regarding this Agreement shall be in writing and shall be deemed duly given when delivered upon: (a) hand delivery; (b) one (1) business day after being transmitted by email (unless sender receives an "undeliverable" message); or (c) upon confirmation of delivery when posted by certified or registered mail. All notices and other communications shall be delivered as addressed below or to such other addresses as any party may designate by notice to the other party.

If to ARC: Jim Schaeffer
BP Remediation Management
201 Helios Way
Houston, Texas 77079
Email: *jim.schaeffer@bp.com*

With a copy to: Douglas Reinhart, Esq.
BP Legal
150 W. Warrenville Road
Naperville, Illinois 60563
Email: *douglas.reinhart@bp.com*

If to Owner: Frank M. Buty
1150 Alki Ave SW, Apt. 4
Seattle WA 98116
Email: *FMButy@gmail.com*

and

Shelley Burton
3820 NE 155th Place #101
Lake Forest Park WA 98155
Email: *SLB2012@q.com*

and

Kristina Udall, Trustee
Melissa Mary Burton Trust
P.O. Box 16346
Seattle WA 98116
Email: *Kristina@UdallLegal.com*

With a copy to: John J. Houlihan, Jr.
Houlihan Law, P.C.
100 N. 35th St.
Seattle, WA 98103
Email: *John@Houlihan-Law.com*

If to the City: City Attorney's Office
City of Mercer Island
9611 SE 36th St.
Mercer Island, WA 98040
Email: *mary.swan@mercergov.org*

With a copy to: Jeff Kray
 Marten Law LLP
 1191 Second Ave., Suite 2200
 Seattle, WA 98101
 Email: jkray@martenlaw.com

11. Successors and Assigns. This Agreement is binding on ARC and its successors and assigns. Owner or the City may, on one or more occasions, transfer and/or assign this Agreement to their respective successors-in-interest, successors-in-title, and assigns upon thirty (30) days written notice to ARC, provided that the respective assignee agrees in writing to be bound by the obligations of the respective assignor hereunder. In the event the City fails to acquire the Property from Owner within one year of the Effective Date for any reason other than Owner's default under the Purchase and Sale Agreement between Owner and the City dated June 7, 2018, then Owner shall be automatically assigned without further written agreement, but with written notice to ARC, all of City's rights and obligations with regard to the Property under this Agreement arising from and after the date of the written notice to ARC. In such event, all of the City's remaining rights with regard to the Site are preserved. In the event the City fails to acquire the Property from Owner within one year of the Effective Date due to Owner's default under the Purchase and Sale Agreement between Owner and the City dated June 7, 2018, then all Parties are released from any obligations under this Agreement that had not yet been performed as of that one-year anniversary.

12. Negotiation and Acknowledgement. This Agreement is a product of negotiation between the Parties executing this Agreement and has been jointly drafted and approved by each Party. The Parties acknowledge that they have read and completely understand the terms and conditions of this Agreement and that they have received the advice of counsel. For these reasons, no provision of this Agreement shall be interpreted or construed against a party for the reason that said party proffered the language at issue.

13. Remedies Cumulative. Except as otherwise expressly provided in this Agreement, all rights, powers, and remedies conferred by this Agreement upon the Parties shall be cumulative and in addition to those rights, powers, and remedies available at law or in equity. All such rights, powers, and remedies may be exercised separately or at once, and no exercise of any rights, powers, or remedies shall be construed to be an election of remedies.

14. No Waiver. Neither the failure of any Party to exercise any power given such Party or to insist upon strict compliance by any other Party with its obligations under this Agreement, nor any custom or practice of the Parties at variance with the terms of this Agreement shall constitute a waiver of any Party's right to demand exact compliance with the terms of this Agreement. Except as expressly stated herein, nothing in this Agreement shall be construed to waive or limit any claim or right of action which any Party may have against the other.

15. No Admission. The Parties understand and agree that execution and performance of this Agreement does not constitute, and shall not be construed as, an admission of liability, fault, or responsibility of any party.

16. Authority. Each person executing this Agreement represents and warrants that he or she has the authority and power to enter into this Agreement, and the Parties may rely upon such representation and warranty. The Parties further represent and warrant that the execution and delivery of this Agreement has been duly authorized by all necessary action and does not and will not require any consent or approval of any person or entity having any direct or indirect interest in such party that has not been obtained.

17. Entire Agreement; Amendment; Severance. This Agreement contains the entire agreement of the Parties with respect to the subject matter of this Agreement. This Agreement shall not be modified or amended except by a written instrument executed by the Parties. If any covenant, condition, term, or provision of this Agreement is illegal, or if the application thereof to any person or in any circumstance shall to any extent be judicially determined to be invalid or unenforceable, the remainder of this Agreement, or the application of such covenant, condition, term, or provision to persons or in circumstances other than those to which it is held to be invalid or unenforceable, shall not be affected thereby, and each covenant, condition, term, and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

18. No Joint Venture; No Third-Party Beneficiaries. This Agreement shall not be construed or interpreted to create a partnership or joint venture between or among ARC, Owner, or the City. No Party shall have the authority to bind any other Party. Nothing contained herein shall be construed as creating a third-party beneficiary relationship between ARC, Owner, the City, or any other person or entity.

19. Governing Law. This Agreement shall be interpreted and enforced under the laws of the State of Washington without regard to conflict of law principles.

20. Counterparts. This Agreement may be executed in counterparts, and all such counterparts once so executed shall together be deemed to constitute one final agreement, as if one document had been signed by all Parties, and each such counterpart, upon execution and delivery, shall be deemed a complete original, binding on the Parties. An email copy of an original signature shall be deemed to have the same force and effect as the original signature.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

[SIGNATURES BEGIN ON NEXT PAGE]

ATLANTIC RICHFIELD COMPANY, a
Delaware corporation

By: Patricia Gallery
 Printed Name: PATRICIA GALLERY
 Title: VICE PRESIDENT
 Date: 13 NOV 2019

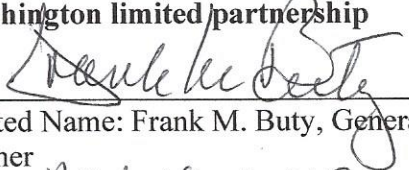
CITY OF MERCER ISLAND, a municipal
corporation

By: _____
 Printed Name: _____
 Title: _____
 Date: _____

[OWNER'S SIGNATURES ON NEXT PAGE]

OWNER:

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: 
 Printed Name: Frank M. Buty, General
 Partner
 Date: NOV 12, 2019

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
 Printed Name: Steve Buty, General Partner
 Date: _____

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
 Printed Name: Kim Buty, General Partner
 Date: _____

SHELLEY LYNN BURTON TRUST

By: _____
 Printed Name: Shelley L. Burton, Trustee
 Date: _____

**JEAN MITCHELL BURTON
TESTAMENTARY TRUST**

By: _____
 Printed Name: Shelley L. Burton, Trustee
 Date: _____

**MARTIN M. BURTON IRREVOCABLE
TRUST, dated April 16, 1987**

By: _____
 Printed Name: Shelley L. Burton, Trustee
 Date: _____

**SHELLEY LYNN BURTON, as her
separate estate**

By: _____
 Printed Name: Shelley L. Burton
 Date: _____

MELISSA MARY BURTON TRUST

By: _____
 Printed Name: Kristina C. Udall, Trustee
 Date: _____

OWNER:

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
Printed Name: Frank M. Buty, General
Partner
Date: _____

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
Printed Name: Steve Buty, General Partner
Date: _____

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: Kim Buty
Printed Name: Kim Buty, General Partner
Date: 11-13-19

SHELLEY LYNN BURTON TRUST

By: _____
Printed Name: Shelley L. Burton, Trustee
Date: _____

**JEAN MITCHELL BURTON
TESTAMENTARY TRUST**

By: _____
Printed Name: Shelley L. Burton, Trustee
Date: _____

**MARTIN M. BURTON IRREVOCABLE
TRUST, dated April 16, 1987**

By: _____
Printed Name: Shelley L. Burton, Trustee
Date: _____

**SHELLEY LYNN BURTON, as her
separate estate**

By: _____
Printed Name: Shelley L. Burton
Date: _____

MELISSA MARY BURTON TRUST

By: _____
Printed Name: Kristina C. Udall, Trustee
Date: _____

OWNER:**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**By: _____
Printed Name: Frank M. Buty, General
Partner
Date: _____**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**By: Steve Buty
Printed Name: Steve Buty, General Partner
Date: 11-13-2019**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**By: _____
Printed Name: Kim Buty, General Partner
Date: _____**SHELLEY LYNN BURTON TRUST**By: Shelley L. Burton
Printed Name: Shelley L. Burton, Trustee
Date: November 11, 2019**JEAN MITCHELL BURTON
TESTAMENTARY TRUST**By: Shelley L. Burton
Printed Name: Shelley L. Burton, Trustee
Date: November 11, 2019**MARTIN M. BURTON IRREVOCABLE
TRUST, dated April 16, 1987**By: Shelley L. Burton
Printed Name: Shelley L. Burton, Trustee
Date: November 11, 2019**SHELLEY LYNN BURTON, as her
separate estate**By: Shelley L. Burton
Printed Name: Shelley L. Burton
Date: November 11, 2019**MELISSA MARY BURTON TRUST**By: _____
Printed Name: Kristina C. Udall, Trustee
Date: _____

OWNER:

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
Printed Name: Frank M. Buty, General
Partner
Date: _____

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
Printed Name: Steve Buty, General Partner
Date: _____

**BUTY LIMITED PARTNERSHIP, a
Washington limited partnership**

By: _____
Printed Name: Kim Buty, General Partner
Date: _____

SHELLEY LYNN BURTON TRUST

By: _____
Printed Name: Shelley L. Burton, Trustee
Date: _____

**JEAN MITCHELL BURTON
TESTAMENTARY TRUST**

By: _____
Printed Name: Shelley L. Burton, Trustee
Date: _____

**MARTIN M. BURTON IRREVOCABLE
TRUST, dated April 16, 1987**

By: _____
Printed Name: Shelley L. Burton, Trustee
Date: _____

**SHELLEY LYNN BURTON, as her
separate estate**

By: _____
Printed Name: Shelley L. Burton
Date: _____

MELISSA MARY BURTON TRUST

By: Kristina C Udall
Printed Name: Kristina C. Udall, Trustee
Date: 11-12-2019

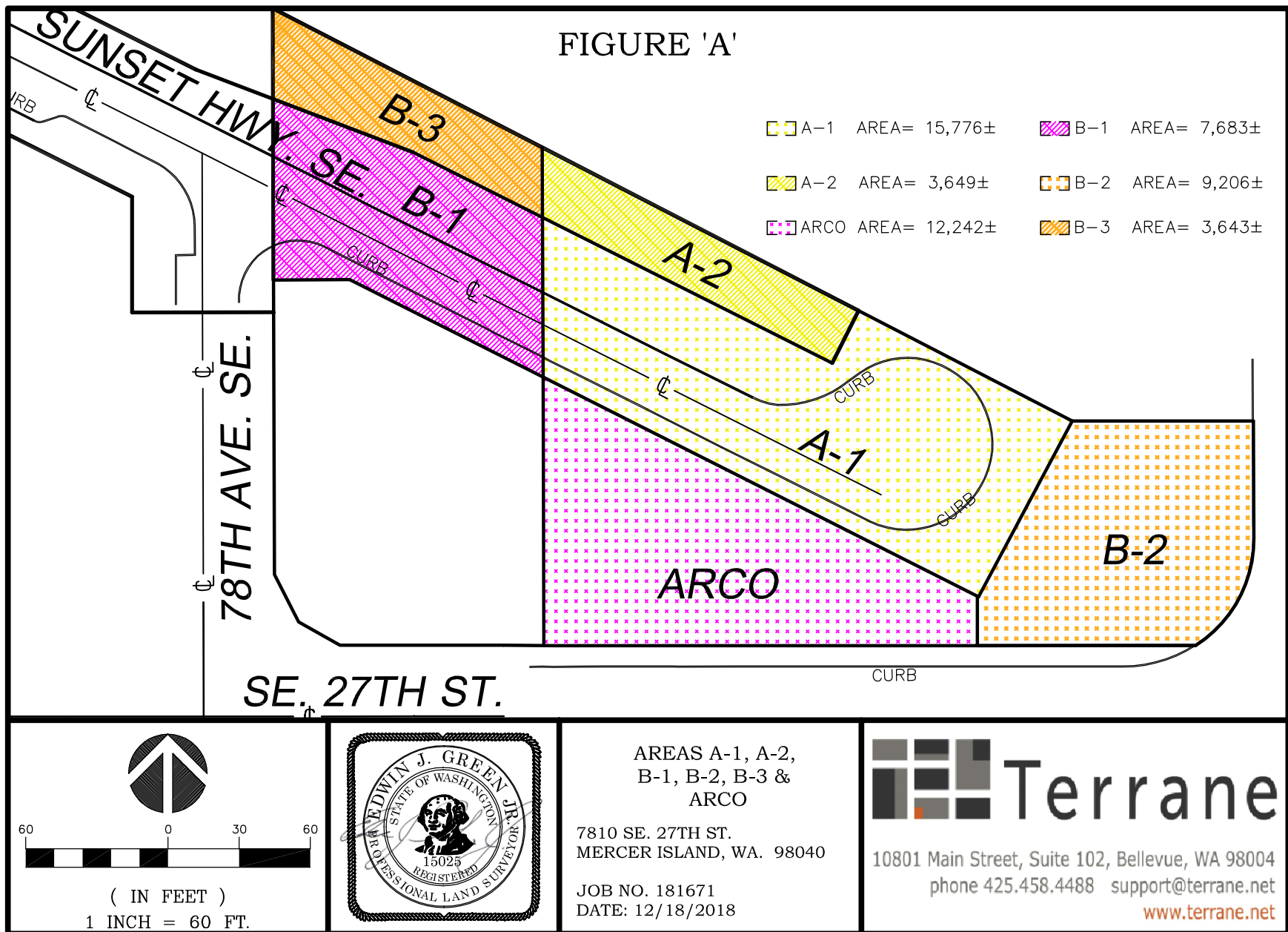
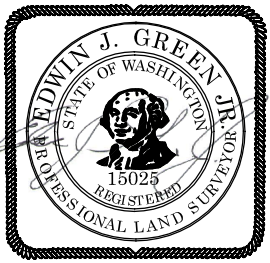
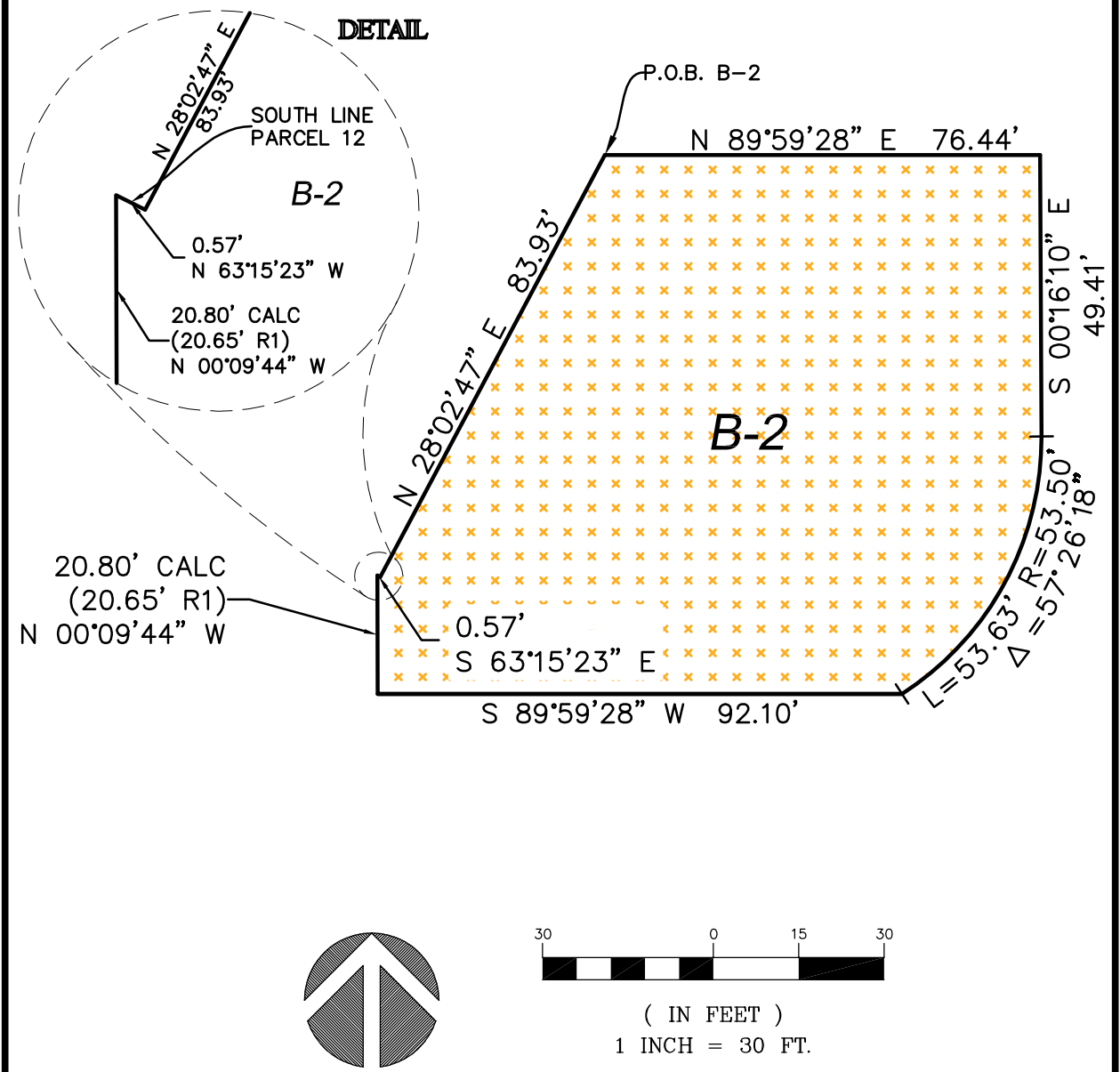


FIGURE 'A'



AREAS A-1, A-2,
B-1, B-2, B-3 &
ARCO

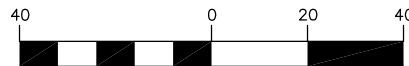
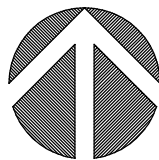
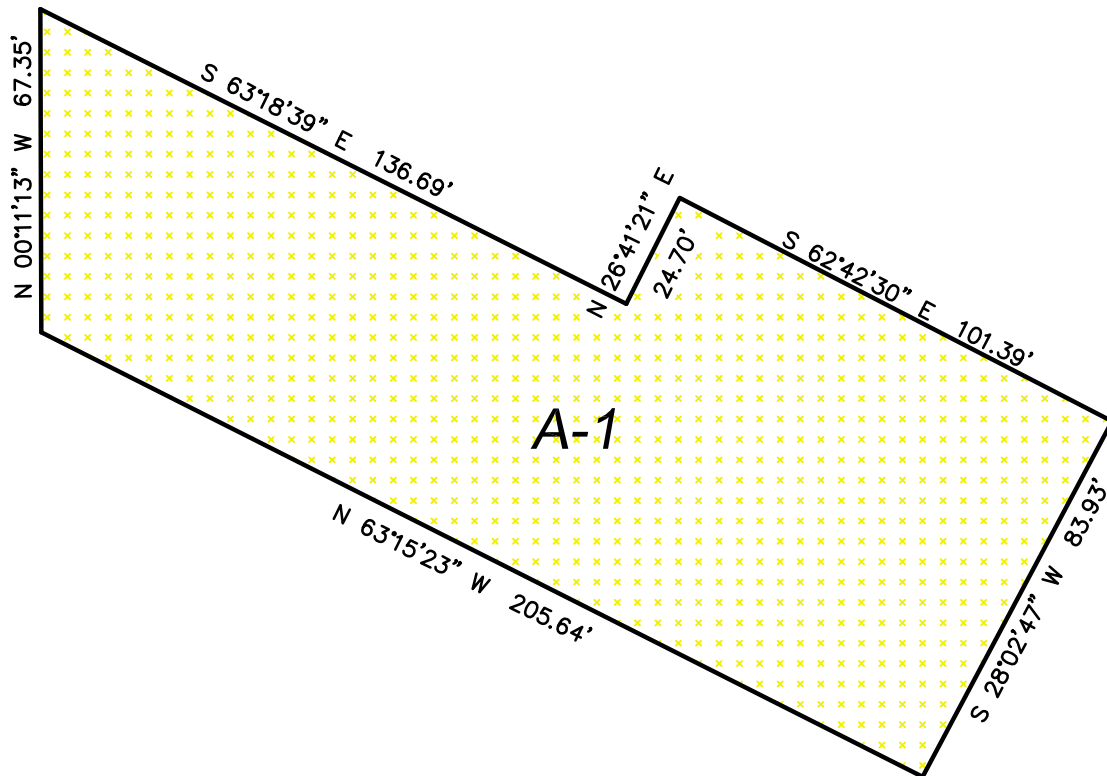
7810 SE. 27TH ST.
MERCER ISLAND, WA. 98040

JOB NO. 181671
DATE: 12/03/2018

Terrane

10801 Main Street, Suite 102, Bellevue, WA 98004
phone 425.458.4488 support@terrane.net
www.terrane.net

FIGURE 'A'



(IN FEET)
1 INCH = 40 FT.



AREAS A-1, A-2,
B-1, B-2, B-3 &
ARCO

7810 SE. 27TH ST.
MERCER ISLAND, WA. 98040

JOB NO. 181671
DATE: 12/03/2018

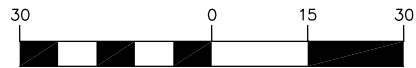
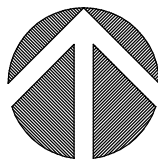
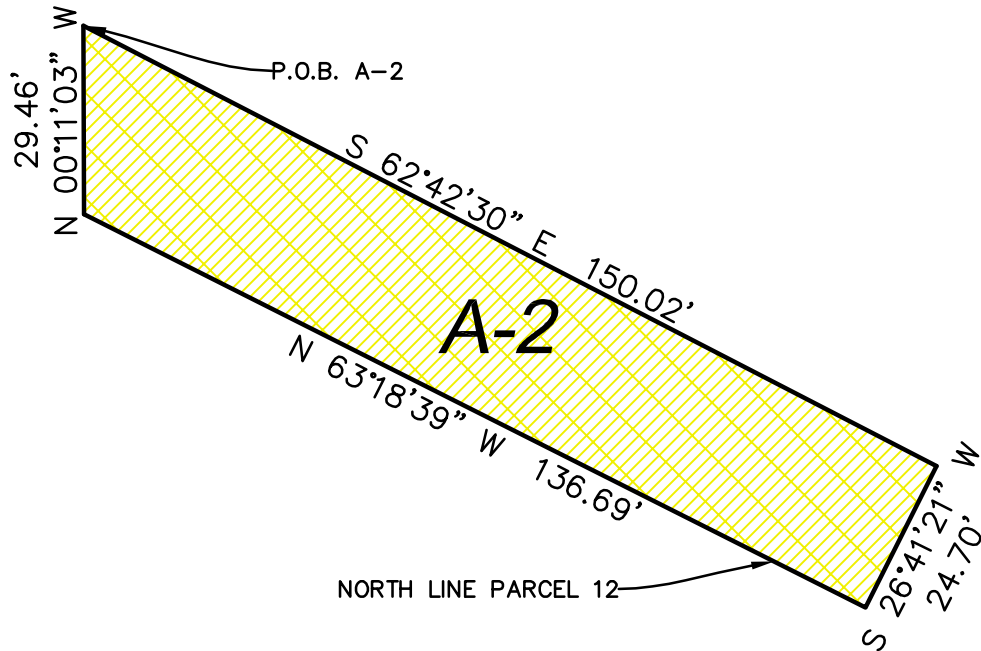


Terrane

10801 Main Street, Suite 102, Bellevue, WA 98004
phone 425.458.4488 support@terrane.net

www.terrane.net

FIGURE 'A'



(IN FEET)
1 INCH = 30 FT.



AREAS A-1, A-2,
B-1, B-2, B-3 &
ARCO

7810 SE. 27TH ST.
MERCER ISLAND, WA. 98040

JOB NO. 181671
DATE: 12/03/2018

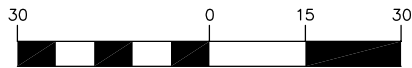
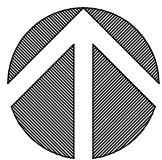
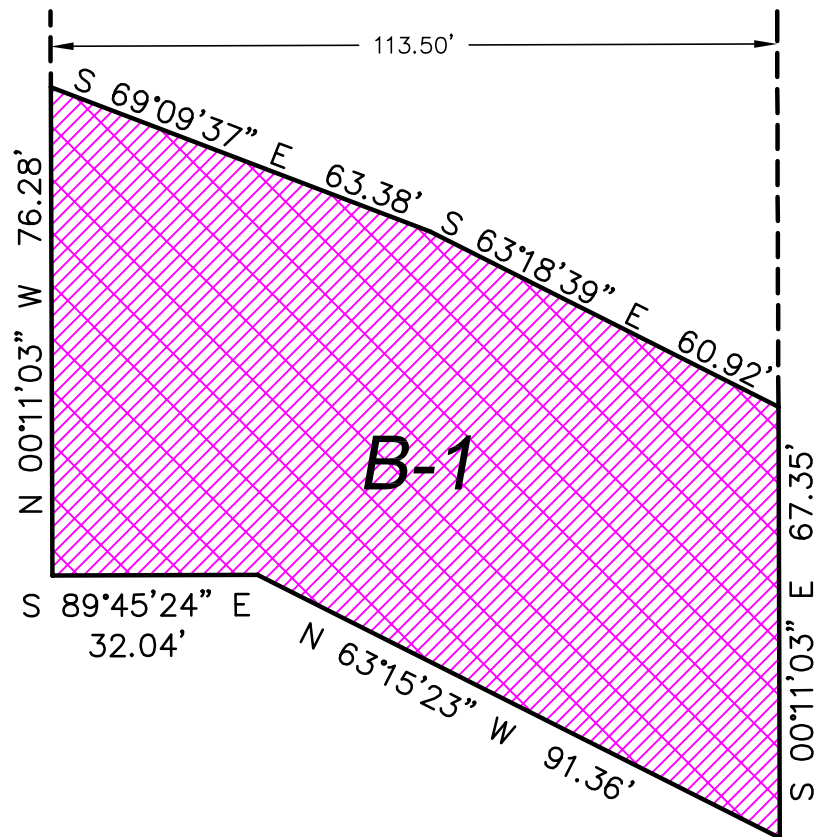


Terrane

10801 Main Street, Suite 102, Bellevue, WA 98004
phone 425.458.4488 support@terrane.net

www.terrane.net

FIGURE 'A'



(IN FEET)
1 INCH = 30 FT.



AREAS A-1, A-2,
B-1, B-2, B-3 &
ARCO

7810 SE. 27TH ST.
MERCER ISLAND, WA. 98040

JOB NO. 181671
DATE: 12/03/2018

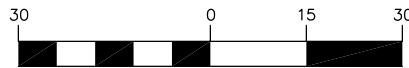
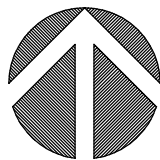
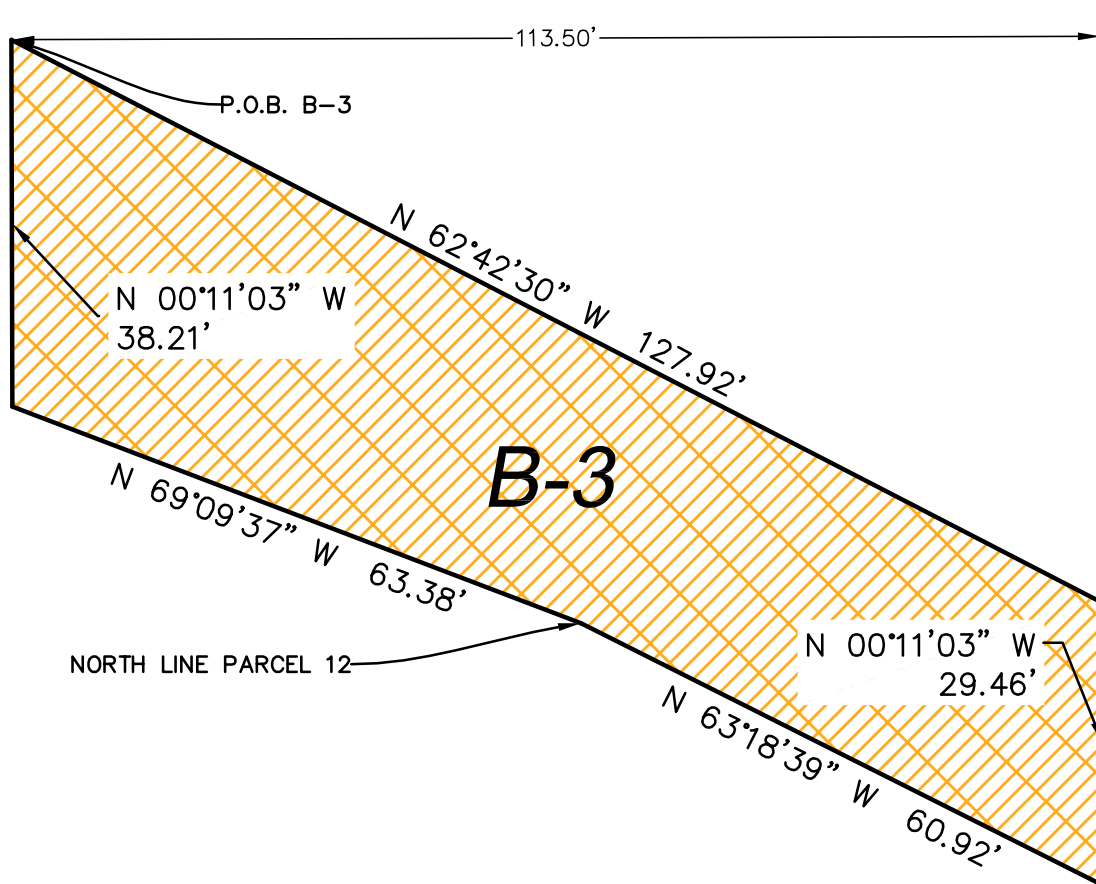


Terrane

10801 Main Street, Suite 102, Bellevue, WA 98004
phone 425.458.4488 support@terrane.net

www.terrane.net

FIGURE 'A'



(IN FEET)
1 INCH = 30 FT.



AREAS A-1, A-2,
B-1, B-2, B-3 &
ARCO

7810 SE. 27TH ST.
MERCER ISLAND, WA. 98040

JOB NO. 181671
DATE: 12/03/2018



Terrane

10801 Main Street, Suite 102, Bellevue, WA 98004
phone 425.458.4488 support@terrane.net

www.terrane.net



Environmental Remediation

Reimbursement Agreement

November 21, 2019

The City's Consultant Team

- Environmental counsel, Jeff Kray of Marten Law L.L.P.
- Environmental consultant, Jeremy Porter of Aspect Consulting, L.L.C.
- Outside counsel, Kari Sand of Ogden Murphy Wallace, P.L.L.C.
(former MI City Attorney)



Commuter Parking Project Site

Item 7.



Background

- June 5, 2018 Purchase and Sale Agreement for Tully's/ARCO Property
- Due Diligence Period (extended)
 - Explore all aspects of property (like an inspection report)
 - Determine environmental conditions and estimated remedial action costs
 - Complete Site Survey



Environmental Review

- Phase I Environmental Study
- Phase II Environmental Study (on-going)
- Future Environmental Work as May Be Needed for Regulatory Site Closure (drilling to north in I-90 / WSDOT area)



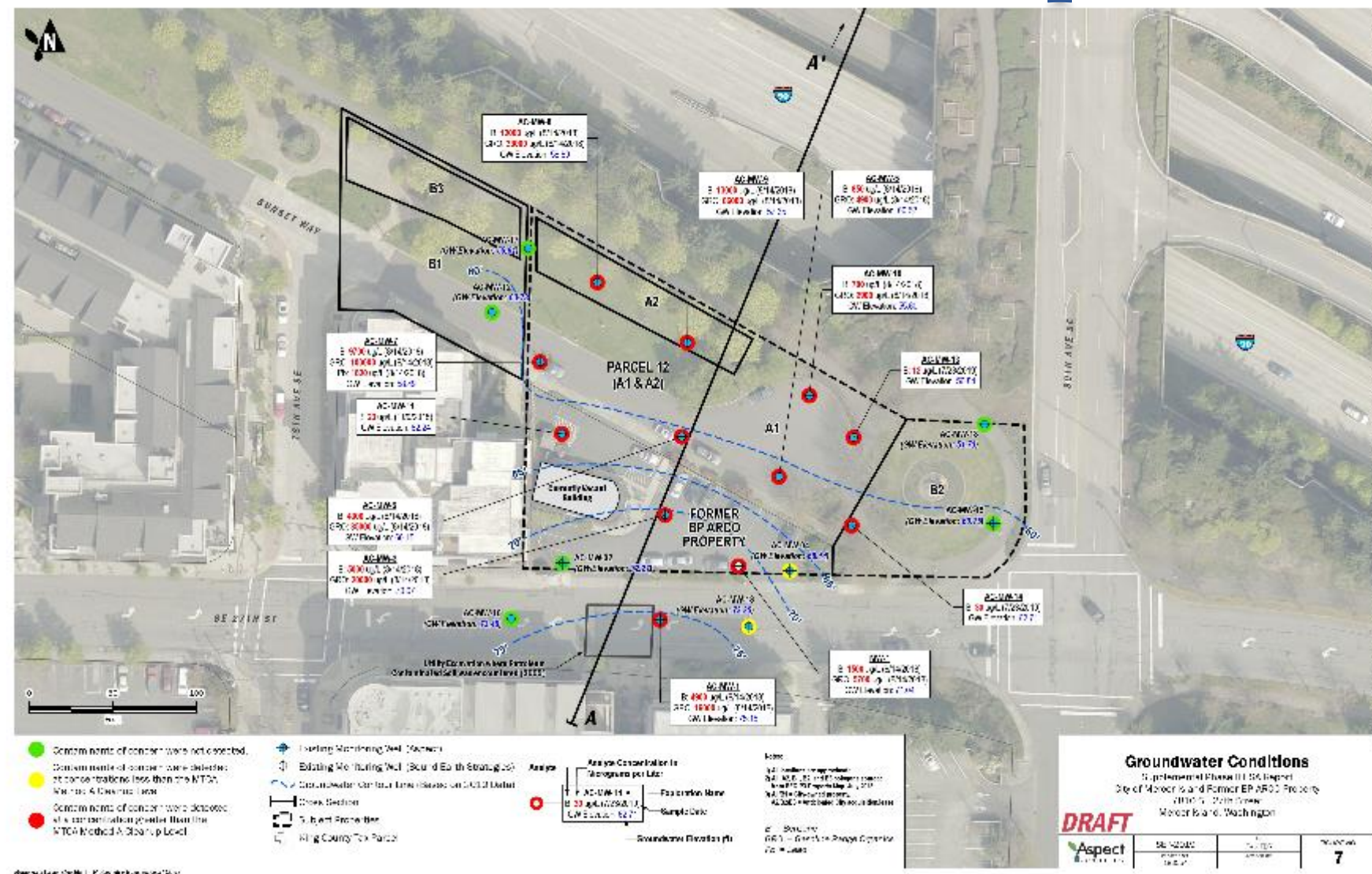
Environmental Findings

- High Level of Confidence in Findings
- Site is Contaminated
- Nature and Extent of Contamination is Known
- Polluter(s) Identified



Groundwater Map

Item 7.



Environmental Findings

- Gas/Service Stations Operated between 1955-1992
- Petroleum Hydrocarbons (Contaminants) Migrated
- State Environmental Law Requires Sitewide Remediation
- Cleanup Plan Required to include all Site Areas



Area Map



Cost Estimates

Environmental Cleanup and Remediation

- Cost Estimates Differ if Surface Lot or Below Grade Excavation
- Develop and Implement a Cleanup Action Plan w/ Developer and either DOE or PLIA
- Soil Removal
- Other Types of Remediation
- Monitoring
- Final Report
- DOE or PLIA Sign off



Key Terms of Reimbursement Agreement

- Parties
- Recitals
 - “Property” versus “Site”
 - “Redevelopment” versus “No Redevelopment” scenarios (excavation or not)
 - Regulatory closure in either scenario (Ecology or PLIA)
 - Cleanup work will be consistent with environmental state law (MTCA)
 - ARC to reimburse (without admitting liability):
 - City and Owner/Seller for “past costs”
 - City or Developer (or assignees) for “future incremental costs”



Key Terms of Reimbursement Agreement

- “Incremental Costs” definition (Section 5.1)
 - costs incurred by the City or Developer (or assignees) to respond to contamination; and
 - costs incurred in connection with the Project development (or alternative uses) and in connection with regulatory closure that
 - are reasonably necessary for Project development or to obtain regulatory closure and
 - reflect only the increase above and beyond the costs the City or Developer would have incurred in the absence of contamination



Key Terms of Reimbursement Agreement

Area of Site	Current Owner	Contaminated Soil Reimbursement
ARCO (Tully's)	Seller (Burton / Buty)	100%
SE 27 th Street ROW	Seller (Burton / Buty)	100%
A-1 (Parcel 12)	City of Mercer Island	75%
A-2	WSDOT	35%
*B-1 (Parcel 12)	City of Mercer Island	0%
B-2	WSDOT	100%
B-3	WSDOT	0%

Agreement: *Indicates an area outside of the City's proposed Project footprint.



Key Terms of Reimbursement Agreement

- “Past Costs” definition (Section 6)
 - ARC shall reimburse Owner and City for costs related to Remedial Work at the Site
 - Examples: environmental consultants’ (Aspect’s) fees and attorneys’ fees (Marten Law & OMW) and survey work
 - City’s Estimated Range of Past Costs: \$400,000 to \$500,000
 - Past Costs require supporting documentation
 - Reimbursement from ARC within 45 days after City provides supporting documentation



Next Steps

- Complete Acquisition of Tully's Property by End of Year
- Assemble Property together with A1 and small WSDOT A2
- Development Partner, MainStreet Property Group (MSP), to Construct Commuter Parking & Mixed-Use Project
- Achieve Regulatory Closure w/ Written Determination from Ecology or PLIA - No Further Action Required



Proposed Motion:

"Authorize the Interim City Manager to execute the environmental remediation Reimbursement Agreement with the Atlantic Richfield Company and the Seller of the 7810 SE 27th Street property in substantially the form attached as Exhibit 1."





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5633
November 19, 2019
Public Hearing

AGENDA BILL INFORMATION

TITLE:	AB 5633: Public Hearing: 2019-2020 Mid-Biennial Budget Review: Third Quarter 2019 Financial Status Report, NORCOM 2020 Budget Resolution, 2020 Utility Rate Resolutions, 2020 Property Tax Ordinances, and 2019-2020 Budget Adjustments.	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed:
RECOMMENDED ACTION:	Receive Third Quarter report; conduct public hearing; pass 2020 NORCOM Budget, 2020 Water, Sewer, and Stormwater rate resolutions, adopt 2020 property tax ordinances, and adopt 2019-2020 budget amending ordinance.	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	LaJuan Tuttle, Interim Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Third Quarter 2019 Financial Status Report 2. Resolution No. 1562 (NORCOM 2020 Budget) 3. Resolution No. 1563 (2020 Water Utility Rates & Service Charges) 4. Resolution No. 1564 (2020 Sewer Utility Rates & Connection Charges) 5. Resolution No. 1565 (Storm Water Utility Rates) 6. Resolution No. 1566 (2020 EMS Utility Rates) 7. Ordinance No. 19-14 (2020 Property tax levy amount) 8. Ordinance No. 19-15 (2020 property tax levy increase) 9. Ordinance No. 19-17 (Amends 2019-2020 Budget)
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ 671,860
AMOUNT BUDGETED	\$ 0
APPROPRIATION REQUIRED	\$ 671,860

SUMMARY

The City Council is required by state law (RCW 35.34.130) to conduct a mid-biennial review of the City's adopted budget before the end of the first year of the fiscal biennium, which encompasses the following:

- Third Quarter 2019 Financial Status Report
- 2019-2020 Budget Amending Ordinance
- 2020 NORCOM budget resolution
- 2020 utility rate resolutions (water, sewer, storm water, and EMS)
- 2020 property tax ordinances (levy amount and percentage change)

2019-2020 BUDGET AMENDING ORDINANCE

The requested budget adjustments to the 2019-2020 adopted budget are summarized on pages 9-10 of Exhibit 1 and are included in the attached budget amending ordinance (see Exhibit 9).

2020 NORCOM BUDGET RESOLUTION

Resolution No. 1562, attached as Exhibit 2, approves NORCOM's 2020 budget allocation to the City of Mercer Island. Every participating city needs to adopt such a resolution before NORCOM approves its 2020 Budget in December. Comparing 2020 to 2019, NORCOM's budget allocation to Mercer Island decreased \$51,593, or 6.6 percent, as shown in the table below.

Department	2019 Allocation	2020 Allocation	\$ Decrease	% Change
Mercer Island Police	\$616,775	\$569,569	(\$47,206)	-7.7%
Mercer Island Fire	\$169,409	\$165,022	(\$4,387)	-2.6%
Total	\$786,184	\$734,591	(\$51,593)	-6.6%

2020 UTILITY RATE RESOLUTIONS

The 2018 adopted, 2019 adopted, and 2020 proposed bi-monthly utility rates for water, sewer, storm water, and EMS services are broken down in the table below **for a typical single-family residential customer**. The 2020 proposed rates were reviewed and recommended by the Utility Board in September and October 2019.

Utility Rate Component	Bi-Monthly Charge			\$ Change		% Change	
	2018 Adopted	2019 Adopted	2020 Proposed	2019 Adopted	2020 Proposed	2019 Adopted	2020 Proposed
Water (City)	\$110.31	\$117.48	\$125.12	\$7.17	\$7.64	6.5%	6.5%
Sewer Maintenance (City)	\$84.71	\$91.23	\$98.26	\$6.52	\$7.03	7.7%	7.7%
Sewer Treatment (King County)	\$88.44	\$90.66	\$90.66	\$2.22	0	2.5%	0.0%
Storm Water (City)	\$33.59	\$34.66	\$35.77	\$1.07	\$1.11	3.2%	3.2%
EMS (City)	\$9.14	\$9.29	\$9.56	\$0.15	\$0.27	1.6%	2.91%
Total Utility Rate Increase	\$326.19	\$343.32	\$359.37	\$17.13	\$16.05	5.3%	4.7%

The total utility rate increase in 2020 is 4.7% percent, or \$16.11, as budgeted in the 2019-2020 adopted Budget.

Resolution Nos. 1563-1566, attached as Exhibits 3-6, set the water, sewer, storm water, and EMS rates, respectively, beginning January 1, 2020.

2020 PROPERTY TAX ORDINANCES

All King County cities are legally required to submit an estimate of their 2020 property tax levies to the Metropolitan King County Council by December 1, 2019. However, the King County Department of Assessments does not provide each city with the final assessed valuation and new construction amounts for the new tax year until later in December. As a result, cities adopt property tax levies for the coming year based on preliminary assessed valuation and new construction amounts.

When the finalized amounts are distributed by the Department of Assessments in December, cities simply notify the Metropolitan King County Council of the corrected levy amount. To be explicit about this levy correcting practice, language is included in the 2020 property tax levy ordinances authorizing the Finance Director to report the corrected property tax levy amount to the Metropolitan King County Council.

For the 2020 tax year, the City's total property tax levy consists of the following components:

- **Regular levy:** Funds general government operations, fire apparatus replacement, pre-LEOFF I firefighters' pension benefits, and LEOFF I retiree long-term care costs.
- **1.0 percent optional increase:** Applies to the regular levy and the levy lid lifts, which are noted below, and represents the maximum increase that a Council can adopt for the coming year, excluding new construction, the re-levy of the prior year refunds. The 2019-2020 Budget was balanced assuming the Council approves the 1.0 percent optional increase for the 2019 and 2020 fiscal years.
- **New construction:** Represents the new and improved properties that have been added to the property tax rolls. An estimate of \$200,000 was used for new constructions as the King County Department of Assessments has not finalized the new construction total yet.
- **Re-levy of prior year refunds:** Represents the amount that was refunded to property owners who successfully appealed their property valuations by the Assessor's Office and that is re-levied in the following year to make the City financially whole. For the 2020 levy, the preliminary amount is \$19,376.
- **2008 levy lid lift:** Approved by voters in November 2008 for parks maintenance and operations (this is a 15-year levy, which ends in 2023). The 1.0 percent optional increase is included in the 2020 levy amount.
- **2012 levy lid lift:** Approved by voters in November 2012 for the replacement of the South Fire Station and a fire rescue truck (this is a 9-year levy, which ends in 2021). The 1.0 optional increase is included in the 2020 levy amount.

Per state law, the annual levy increase (what is called the "limit factor") is limited to the lesser of the implicit price deflator (IPD) or 1.0 percent, plus an allowance for new construction. For the 2020 levy, the IPD is 1.0140 percent.

The **2020 preliminary levy** is compared to the 2019 final levy in the table below.

Levy Elements	2019 Final Levy	2020 Prelim Levy
Regular Levy:		
Prior Year Levy	\$11,701,614	\$12,012,111
Plus 1% Optional Increase	117,016	120,121
Plus New Construction	193,481	200,000
Plus Re-levy of Prior Year Refunds	28,440	19,376
Total Regular Levy	\$12,040,551	\$12,351,608
Levy Lid Lifts:		
2008 Parks Maintenance & Operations + 1%	955,079	964,630
2012 Fire Station & Fire Rescue Truck + 1%	682,059	688,880
Total Levy Lid Lifts	1,637,138	1,653,510
Total Levy	\$13,677,689	\$14,005,118
% Change Relative to Prior Year*	1.00%	1.00%

Excluding new construction and the re-levy of prior year refunds, the 2020 total preliminary levy is 1.0 percent greater than the 2019 final levy.

The 2020 preliminary levy encompasses two ordinances as required by state law: 1) Ordinance No. 19-14, which establishes the 2020 property tax levy amount (see Exhibit 7); and 2) Ordinance No. 19-15, which identifies the dollar and percent increase in the 2020 levy (see Exhibit 8).

At the November 19, 2019 Council meeting, the Mayor will conduct a public hearing regarding the City's financial status through the third quarter of 2019 and the proposed resolutions and ordinances.

RECOMMENDATION

1. Pass Resolution No. 1562, which approves NORCOM's 2020 budget allocation to the City of Mercer Island.
2. Pass Resolution No. 1563, which establishes classifications of water users and a schedule of charges for water usage, a schedule of rates for fire service, a schedule of special service charges, meter and service installation charges, and connection charges effective January 1, 2020 and thereafter.
3. Pass Resolution No. 1564, which establishes rates and connection charges for sewerage disposal services provided by the City of Mercer Island effective January 1, 2020 and thereafter.
4. Pass Resolution No. 1565, which establishes the bi-monthly service charge for storm and surface water services provided by the City of Mercer Island effective January 1, 2020 and thereafter.
5. Pass Resolution No. 1566, which establishes the bi-monthly utility fee for the emergency medical and ambulance services supplied by the City of Mercer Island effective January 1, 2020 and thereafter.
6. Suspend the City Council Rules of Procedure 6.3, requiring a second reading for an ordinance.
7. Adopt Ordinance No. 19-14, which establishes the amount of property taxes to be levied for the year 2020.

8. Adopt Ordinance No. 19-15, which identifies the dollar amount and percentage increases of the regular property tax levy and the levy lid lifts for the year 2020.
9. Adopt Ordinance No. 19-17, amending the 2019-2020 Budget.



INTRODUCTION

The Financial Status Report provides a summary budget to actual comparison of revenues and expenditures for the General Fund and all other funds through the end of the most recently completed fiscal quarter. Budget adjustments are identified along with a budget amending ordinance.

This report is comprised of the following four sections:

- General Fund
- Utility Funds
- All Other Funds
- Budget Adjustments

It should be noted that, where significant, revenues are recognized when earned, regardless of when cash is received, and expenditures are recognized when a liability has been incurred or when resources have been transferred to another fund. Finally, beginning fund balance represents net excess resources from a prior year that have been appropriated to fund budgeted expenditures in the current year.

NOVEMBER 19, 2019

THIRD QUARTER 2019 FINANCIAL STATUS REPORT

***Total General Fund 2019
Resources Budget
\$32.4 million***

***General Fund Actual Resources
at September 30,
\$21.7 million (67.0%)***

***Total General Fund 2019
Expenditure Budget
\$32.4 million***

***General Fund Actual
Expenditures at September 30,
\$23.7 million (73%)***

***Contingency Fund Balance at
September 30, 2019
\$4.1 million***

GENERAL FUND

Revenues

Overall, General Fund revenues met budget estimates at the end of the third quarter. The table below lists 2019 revenue budget, year to date actuals and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget amounts are for the full year and actuals presented are for the period of January through September of each year. Additional detail regarding primary general fund revenues and material variances from the amended budget is provided below the table.

GENERAL FUND: Revenues As of September 30, 2019

Revenue Category	Prior Year to Date 9/30/2018*	2019 Original Budget	2019 Budget as Amended	Year to Date 9/30/2019	% of Budget
Property Tax	\$ 6,910,220	\$ 12,454,555	\$ 12,454,555	\$ 7,140,772	57.3%
General Sales Tax (0.85%)	3,351,622	4,401,736	4,401,736	3,335,730	75.8%
Utility Taxes	3,181,656	4,190,106	4,190,106	3,011,233	71.9%
License, Permit & Zoning Fees	2,315,787	3,697,847	3,757,847	2,407,253	64.1%
Recreation Program Fees	1,326,745	1,604,300	1,577,400	1,362,585	86.4%
EMS Levy & Charges for Service	999,084	1,363,488	1,384,092	1,045,354	75.5%
Intergovernmental Revenues	645,581	1,166,215	1,208,336	693,731	57.4%
Criminal Justice Sales Tax (0.10%)	543,077	728,206	728,206	565,596	77.7%
B&O Tax	247,976	642,884	642,884	257,067	40.0%
Utility Overhead Charges	348,080	453,876	453,876	340,407	75.0%
Court Fines	245,532	346,604	346,604	203,610	58.7%
CIP Administration	208,640	275,765	275,765	206,824	75.0%
Misc General Government	556,841	226,700	246,700	373,522	151.4%
Investment Interest	23,313	25,604	25,604	30,843	120.5%
Transfer from Contingency Fund	-	1,035,704	607,920	607,920	100.0%
Total Revenues	\$ 20,904,152	\$ 32,613,590	\$ 32,301,631	\$ 21,582,444	66.8%
Beginning Fund Balance	1,844,480	-	176,053	176,053	100.0%
Total Resources	\$ 22,748,632	\$ 32,613,590	\$ 32,477,684	\$ 21,758,497	67.0%

* The 2018 actuals include the Beautification Fund, which was combined with the General Fund in 2019.

Property tax at 57.3 percent of budget reflects the timing of property tax collections. April 30th and October 31st are the payment due dates for property owners. The second half of property tax revenue is typically received by the City in November. Property tax collections are expected to meet budget by year end.

General sales tax is 75.8 percent of budget at the end of the third quarter. Construction continues to be the largest component of sales tax revenue. The following table compares sales tax revenue by business sector through the third quarter of the year for 2018 and 2019.

2018-2019 Sales Tax Revenue by Business Sector

Business Sector	Year to Date 9/30/2018	Year to Date 9/30/2019	Increase / (Decrease)	% of Total	
				2018	2019
Construction	\$ 1,374,020	\$ 1,267,182	(\$106,838)	41.0%	38.0%
Retail & Wholesale Trade	910,453	972,269	\$61,816	27.2%	29.1%
Admin & Support Services	245,546	262,806	\$17,260	7.3%	7.9%
Food Services	168,126	180,903	\$12,777	5.0%	5.4%
Telecommunications	116,637	106,818	(\$9,819)	3.5%	3.2%
Prof, Scientific & Tech Services	99,532	123,309	\$23,777	3.0%	3.7%
Finance, Insurance & Real Estate	107,484	120,231	\$12,747	3.2%	3.6%
All Other Sectors	329,824	302,212	(\$27,612)	9.8%	9.1%
Total	\$ 3,351,622	\$ 3,335,730	(\$15,892)	100.0%	100.0%

Utility taxes are 71.9 percent of budget at the end of the third quarter. This revenue category is trending below budget primarily due to the utility tax on electricity and gas as well as the downward trend in the cellular utility tax. Electric and gas utility tax revenues are down due to PSE lowering residential energy rates and the effects of weather on heating and cooling needs. The decrease in cellular utility tax reflects the continued downward trend resulting from a highly competitive business environment, the popularity of texting over talking, and the exclusion of data plans from utility taxes.

License, permit, and zoning fees are 64.1 percent of budget at the end of the third quarter. This revenue category consists of fees related to development, business licenses, and a cable franchise. Business licensing continues to outpace budget projections with collections at 132 percent of budget at quarter end. Franchise fees and parking permit fees are on budget at 76.1 percent of budget. Development permit and zoning fees are below budget with revenue collections at 60 percent of budget at quarter end.

Recreation program fees are 86.4 percent of budget at the end of the third quarter. This is typical for this revenue category at this point in the year as the busy summer recreation and youth camp season comes to an end.

Intergovernmental revenues are 57.4 percent of budget at the end of the third quarter. The major revenue sources impacted by the timing of collections including the I-90 corridor landscape maintenance revenue from the Washington State Department of Transportation, vessel registration fees that are received from the state through King County, the marine patrol services contract revenue from the City of Renton, and support for the School Resource Officer received from the Mercer Island School District. These intergovernmental revenues are invoiced and received in the fourth quarter.

Business & occupation (B&O) tax is 40 percent of budget at the end of the third quarter. Trailing the 75 percent budget target so significantly is typical for this revenue category at this point in the year. Most of the City's registered businesses file an annual, rather than a quarterly, B&O tax return that is not due until January 31st of the following year. Revenue collections will likely meet budget expectations by year end.

Quarterly Financial Status Report

Item 8.

Court fines are 58.7 percent of budget at the end of the third quarter. Revenues are trending below budget due to a decrease of more than 500 court filings through the first quarter of 2019 as compared to 2018. Court filings are generated by Police citations.

All other revenues are within expected norms through the third quarter of the year.

Expenditures

Overall, General Fund expenditures are within budget estimates at the end of the third quarter. The table below lists the 2019 expenditure budget by department, year to date actuals and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget amounts are for the full year and actuals presented are for the period of January through September of each year. Additional detail of material variances from the amended budget are discussed following the table.

GENERAL FUND: Expenditures by Department As of September 30, 2019

General Fund Department	Year to Date 9/30/2018*	2019 Original Budget	2019 Budget as Amended	Year to Date 9/30/2019	% of Budget
City Attorney's Office	\$ 567,033	\$ 783,463	\$ 799,770	\$ 537,965	67%
City Council	42,241	60,030	59,331	37,308	63%
City Manager's Office	819,875	1,114,758	1,107,616	843,385	76%
Community Planning & Development	2,505,653	3,375,199	3,382,805	2,455,029	73%
Finance	684,793	969,080	970,990	691,345	71%
Fire	4,942,465	6,625,396	6,647,831	5,152,332	78%
Human Resources	475,445	634,417	630,721	480,619	76%
Information & Geographic Services	99,666	129,985	129,985	105,489	81%
Municipal Court	324,520	479,765	476,239	330,968	69%
Non-Departmental	1,580,274	2,250,392	2,291,200	1,478,877	65%
Parks & Recreation	4,397,750	5,995,915	5,776,636	4,089,404	71%
Police	5,349,766	7,412,861	7,372,776	5,601,665	76%
Public Works	1,301,099	1,911,645	1,912,172	1,269,007	66%
Interfund Transfers	1,414,380	762,200	823,128	627,028	76%
Total Expenditures	\$ 24,504,962	\$ 32,505,106	\$ 32,381,200	\$23,700,419	73.2%

* The 2018 actuals include the Beautification Fund, which was combined with the General Fund in 2019.

In reviewing expenditures by department, the following are noteworthy:

The Fire Department has spent 78 percent of its budget through the third quarter of 2019 due to higher than expected overtime costs as a result of the following: 1) one firefighter vacancy; 2) two firefighters on FMLA leave; 3) one firefighter on extended medical leave (duty-related injury); and 4) backfilling for a Battalion Chief, who temporarily served as Interim Fire Marshal until a permanent Fire Marshal was hired.

Non-Departmental has spent 65 percent of its budget through the third quarter of 2019. Spending in this department is under budget, relative to the 75 percent budget threshold, due to the following

contractual services that have been deferred; 1) the ADA Transition plan (\$250,000 budget) will commence in 2020; 2) the Parks, Recreation, and Open Space planning work (\$175,000 budget) began in the second half of 2019; and 4) the organizational efficiency assessments (\$110,000 budget) began in the second half of the year.

All other expenditures are within expected norms through the end of the third quarter.

UTILITY FUNDS

At the close of the third quarter, all three utility funds are within expected norms for operating revenues and expenditures.

Revenues

The table below lists the 2019 revenue budget, year to date actuals and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget amounts are for the full year and actuals presented are for the period of January through September of each year. Additional detail of major variances is discussed following the table.

UTILITY FUND: Revenues
As of September 30, 2019

Revenue Category	Prior Year to Date 9/30/2018	2019 Original Budget	2019 Budget as Amended	Year to Date 9/30/2019	% of Budget
Operating Revenues					
Water Utility	7,125,519	7,487,136	7,487,136	7,020,127	93.8%
Sewer Utility	7,262,319	9,781,136	9,781,136	7,565,602	77.3%
Storm Water Utility	1,541,476	2,042,990	2,045,529	1,542,807	75.4%
Interest Earnings					
Water Utility	142,219	211,100	211,100	209,955	99.5%
Sewer Utility	64,126	80,162	80,162	93,356	116.5%
Storm Water Utility	53,088	57,600	57,600	73,659	127.9%
Total Revenues	\$ 16,188,747	\$ 19,660,124	\$19,662,663	\$16,505,506	83.9%

Water utility operating revenues (i.e., water utility customer charges) are 93.8 percent of budget through the end of the third quarter due to the high demand of water usage in summer months.

Interest earnings for all three utility funds are exceeding budget expectations due to higher than expected return on investments.

Expenditures

The table below lists the 2019 expenditure budget by utility fund and category, year to date actuals and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget amounts are for the full year and actuals presented are for the period of January through September of each year. Additional detail of major variances is discussed following the table.

UTILITY FUND: Expenditures

As of September 30, 2019

Category	Year to Date 9/30/2018	2019 Original Budget	2019 Budget as Amended	Year to Date 9/30/2019	% of Budget
Operating Expenditures					
Water Utility	3,538,687	5,023,302	5,023,302	3,379,450	67%
Sewer Utility	5,175,401	7,283,954	7,283,954	5,004,347	69%
Storm Water Utility	976,014	1,427,932	2,045,529	887,485	43%
Capital Projects					
Water Utility	1,421,382	4,425,040	4,720,291	1,480,143	31%
Sewer Utility	256,641	1,979,499	2,796,523	494,358	18%
Storm Water Utility	355,775	1,252,631	1,763,090	307,182	17%
Debt Service					
Water Utility	17,302	109,425	109,425	16,427	15%
Sewer Utility	494,183	1,046,897	1,046,897	489,158	47%
Storm Water Utility	-	-	-	-	N/A
Total Expenditures	\$ 12,235,384	\$ 22,548,680	\$24,789,011	\$12,058,550	49%

Operating expenditures are trending at or below the 75 percent budget threshold at third quarter end primarily due to:

- Position vacancies that have resulted in four new hires in the first half of 2019 at a lower cost than budgeted;
- Multiple contracted repairs and maintenance will occur mostly in the second half of 2019;
- Purchase of a CCTV vehicle and a combination vactor/jetter truck will occur in the fourth quarter of 2019; and

Capital projects continue to be below budget projections in 2019.

- Booster Chlorination Station (\$34,718 actual vs. \$1,160,000 budget);
- Meter Replacement (\$43,704 actual vs. \$662,000 budget);
- Pump Station Generator & Pump Replacements (\$1,120 actual vs. \$665,371 budget);
- Pump Station 23, 24 & 25 Capacity Improvements (\$0 actual vs. \$370,000 budget);
- General Sewer System Improvements (\$0 actual vs. \$300,000 budget); and
- Sub-Basin 6 Drainage System (\$0 actual vs. \$220,000 budget);
- Drainage System Pipe Replacement (\$0 actual vs. \$130,000 budget); and
- Storm Pipe System Extension (\$0 actual vs. \$130,000 budget).

The unspent budget allocation for the utility capital program is a direct result of staff spending a significant amount of time on the pre-construction phases of the SCADA System Upgrade, Meter Replacement, and Booster Chlorination Station projects, delaying work on other capital projects in 2019.

Although these projects have minimal expenditures to date, projects are well underway. Expenditures are trailing due to timing within the project schedule and biennium. Specifically, the City received 9 responses to the Request for Proposal for the Water Meter Replacement project and a pilot project is

planned for implementation in Q1 2020. Construction is underway for the Pump Station Generator and Pump Replacements and is scheduled to be completed this year. Other projects, such as the General Sewer Improvements and Storm Pipe System Extension work are currently being scoped for construction in 2020.

The SCADA System Upgrade is also currently in design, but progress has been slowed due to staff vacancies and system complexities. The SCADA system supports both water and sewer operations. Design is expected to continue into 2020.

ALL OTHER FUNDS

Revenues

The table below lists the 2019 revenue budget, year to date actuals and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget amounts are for the full year and actuals presented are for the period of January through September of each year.

As of September 30, 2019					
Fund Name	REVENUE				
	Year to Date 9/30/2018	2019 Original Budget	2019 Budget as Amended	Year to Date 9/30/2019	% of Budget
Self Insurance Claim	0	10,000	10,000	-	N/A
Youth Services Endowment	4,117	3,500	3,500	4,540	130%
Street	2,418,313	2,916,000	3,132,315	2,025,038	65%
Contingency	664,540	320,574	320,574	348,748	109%
1% for the Arts	-	19,000	19,000	-	N/A
Youth & Family Services	2,095,183	2,808,476	3,004,924	2,359,629	79%
Bond Redemption (Voted)	-	-	-	-	N/A
Bond Redemption (Non-Voted)	324,020	841,800	841,800	320,900	38%
Town Center Parking Facilities	2,365,680	-	574,361	585,361	102%
Capital Improvement	3,581,579	3,486,850	3,520,891	2,041,439	58%
Technology & Equipment	259,000	475,500	537,500	245,033	46%
Capital Reserve	-	-	-	-	N/A
Equipment Rental	1,854,212	1,344,601	1,497,000	1,256,898	84%
Computer Equipment	810,001	1,207,852	1,046,755	782,082	75%
Firemen's Pension	57,787	71,822	71,822	60,341	84%

Youth & Family Services Fund: Total revenues are 79 percent of budget at the close of the third quarter. Revenues above the 75 percent budget threshold are attributable to Thrift Shop sales which continue to outpace budget and an increase of \$56,131 in MIYFS Foundation donations reflecting the Foundation's commitment to: 1) fund 10 percent of YFS Fund expenditures; 2) restore the 0.5 FTE reduction to the Geriatric Specialist in 2019; and 3) restore the 0.5 FTE reduction to the Administrative Assistant in the first half of 2019.

Equipment Rental Fund. Total revenues are 84 percent of budget at the close of the third quarter. Revenues are above the 75 percent budget expectation due to the receipt of WCIA reimbursements related to soil remediation on the Honeywell property.

Expenditures

The table below lists the 2019 expenditures budget by fund, year to date actuals and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget amounts are for the full year and actuals presented are for the period of January through September of each year. Additional detail of major variances is discussed following the table.

As of September 30, 2019

Fund Name	EXPENDITURE				
	Year to Date 9/30/2018	2019 Original Budget	2019 Budget as Amended	Year to Date 9/30/2019	% of Budget
Self Insurance Claim		10,000	10,000	-	N/A
Youth Services Endowment	-	3,500	3,500	-	N/A
Street	3,074,215	3,567,588	3,868,015	2,338,177	60%
Contingency	-	1,035,704	1,610,065	1,182,281	73%
1% for the Arts	58,472	15,000	28,521	1,050	4%
Youth & Family Services	2,069,482	2,870,274	3,180,182	2,238,551	70%
Bond Redemption (Voted)	-	-	-	-	N/A
Bond Redemption (Non-Voted)	39,020	841,800	841,800	30,900	4%
Town Center Parking Facilities	-	139,930	2,750,083	312,894	11%
Capital Improvement	4,485,117	3,041,056	3,918,846	1,151,733	29%
Technology & Equipment	523,638	640,000	807,965	183,154	23%
Capital Reserve	-	-	-	-	N/A
Equipment Rental	1,636,643	1,537,942	1,915,695	847,216	44%
Computer Equipment	727,627	1,196,047	1,034,950	731,993	71%
Firemen's Pension	60,567	89,000	89,000	48,040	54%

Equipment Rental Fund: Total expenditures are 44 percent of budget at the close of the third quarter. Capital replacement of fleet vehicles and equipment are on schedule. Maintenance and operating costs are at 76 percent of budget at quarter end as fuel costs continue to be monitored closely. This fund also includes professional services costs associated with soil remediation which are at 27percent of budget at quarter end.

Capital Improvement and Technology and Equipment. Both Capital funds are below the 75 percent budget threshold for third quarter. Staff vacancies continue to have an impact on the ability to complete planned project work. Staff are exploring alternative options to delivery these projects.

All other variances are within expected norms through the third quarter of the year.

BUDGET ADJUSTMENTS

In the interest of administrative ease, a budget amending ordinance is prepared and submitted to the Council quarterly, if needed, along with the Financial Status Report. Budget adjustments are divided into three groups:

- 1) those previously approved by the Council but not formally adopted via a budget amending ordinance;
- 2) new requests which typically encompass financial housekeeping items, minor requests, and unanticipated expenditures that the City had to incur and was unable to absorb within the authorized budget; and
- 3) carryover requests which consist of unspent budget from the prior year to the current year and are typically included in the fourth quarter financial status report for the second year of the biennium. Council approval is required when unspent budget is being moved from the prior biennium to the current biennium, not when unspent budget is being moved within the biennium and within the same fund.

Budget adjustments previously approved but not formally adopted via a budget amending ordinance by the Council are summarized in the table below.

Fund	Department	Description	Agenda Bill	Budget Year	Amount	Funding Source
Contingency	Non-Dept'l	Interfund transfer to Town Center Parking Facilities Fund	AB 5625 11/04/2019	2019	\$ 63,055	Unappropriated fund balance
Town Center Parking Facilities	City Manager	Additional due diligence and environmental work related to the City's propose commuter parking and mixed use project	AB 5625 11/04/2019	2019	\$ 63,055	Transfer from Contingency fund.
Youth & Family Service	YFS	Sober Truth on Preventing Under Age Drinking (STOP Grant) and Partnership for Success, Strategic Prevention Framework (SPF Grant)	AB 5615 11/4/2019	2019	\$ 87,150	SAMHSA Grant Funds
				2020	\$ 348,600	

New requests not approved or formally adopted by the Council are summarized in the table below.

Fund	Department	Description	Budget Year	Amount	Funding Source
General	Parks & Recreation	Restore sport and fitness recreation, and community programs for youth, seniors and families	2019	\$ 20,000	King County Get Active, Stay Active Grant
			2020	\$ 20,000	
General	Police	Community based outreach	2019	\$ 20,000	Private Donation
Storm water	Public Works	Water quality and stormwater capacity	2019	\$ 50,000	Dept of Ecology Stormwater capacity grant

Quarterly Financial Status Report

Item 8.

A budget amending ordinance is attached as Exhibit 2. Two summary listings of the originally adopted 2019-2020 Budget (expenditures only), broken down by year, and all subsequent amendments, including Exhibit 9, are presented below.

2019 Budget Adjustment Summary

Expenditures by Fund

Fund Type / Fund Name	Original 2019 Budget	2019 Budget Adjustments				Amended 2019 Budget
		ORD 19-08 2018 Carryovers 5/7/2019	ORD 19-09 Q1 2019 FSR 5/21/2019	ORD 19-12 Q2 2019 FSR 9/3/2019	ORD 19-17 Q3 2019 FSR 11/19/2019	
General Purpose Funds:						
General	32,505,106	117,246	(281,756)	40,604	40,000	32,421,200
Self-Insurance	10,000					10,000
Youth Services Endowment	3,500					3,500
Special Revenue Funds:						
Street*	3,567,588	306,315				3,873,903
Contingency	1,035,704	304,838		269,523	63,055	1,673,120
1% for the Arts	15,000	13,521				28,521
Youth & Family Services	2,870,274	131,570	51,460	126,878	87,150	3,267,332
Debt Service Funds:						
Bond Redemption (Voted)	-					-
Bond Redemption (Non-Voted)	841,800					841,800
Capital Projects Funds:						
Town Center Parking Facilities*	139,930	2,340,630		269,523	63,055	2,813,138
Capital Improvement*	3,041,056	877,790				3,918,846
Technology & Equipment*	640,000	167,965				807,965
Capital Reserve*	-					-
Enterprise Funds:						
Water*	9,557,767	242,285	17,831			9,817,883
Sewer*	10,310,350	807,728	9,296			11,127,374
Stormwater*	2,680,563	500,654	12,344		50,000	3,243,561
Internal Service Funds:						
Equipment Rental*	1,537,942	225,354	152,399			1,915,695
Computer Equipment*	1,196,047			(161,097)		1,034,950
Trust Funds:						
Firemen's Pension	89,000					89,000
Total	70,041,627	6,035,896	(38,426)	545,431	303,260	76,887,788

* Capital Improvement Program (CIP) projects are accounted for in these funds.

2020 Budget Adjustment Summary

Expenditures by Fund

Fund Type / Fund Name	Original 2020 Budget	2020 Budget Adjustments			Amended 2020 Budget
		ORD 19-09 Q1 2019 FSR 5/21/2019	ORD 19-12 Q2 2019 FSR 9/3/2019	ORD 19-17 Q3 2019 FSR 11/19/2019	
General Purpose Funds:					
General	32,741,117	(861,130)		20,000	31,899,987
Self-Insurance	10,000				10,000
Youth Services Endowment	3,500				3,500
Special Revenue Funds:					
Street*	3,210,098		100,000		3,310,098
Contingency	-				-
1% for the Arts	15,000				15,000
Youth & Family Services	2,844,145	(7,947)		348,600	3,184,798
Debt Service Funds:					
Bond Redemption (Voted)	-				-
Bond Redemption (Non-Voted)	839,700				839,700
Capital Projects Funds:					
Town Center Parking Facilities*	-				-
Capital Improvement*	2,549,045				2,549,045
Technology & Equipment*	287,000				287,000
Capital Reserve*	-				-
Enterprise Funds:					
Water*	11,797,813				11,797,813
Sewer*	12,081,909				12,081,909
Stormwater*	2,601,762				2,601,762
Internal Service Funds:					
Equipment Rental*	1,649,995				1,649,995
Computer Equipment*	1,339,994		(174,523)		1,165,471
Trust Funds:					
Firemen's Pension	94,000				94,000
Total	72,065,078	(869,077)	(74,523)	368,600	71,490,078

* Capital Improvement Program (CIP) projects are accounted for in these funds.

**CITY OF MERCER ISLAND
RESOLUTION NO. 1562**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MERCER ISLAND
APPROVING THE CITY OF MERCER ISLAND'S ALLOCATION FOR THE
NORTH EAST KING COUNTY REGIONAL PUBLIC SAFETY
COMMUNICATIONS AGENCY (NORCOM) 2020 BUDGET.**

WHEREAS, the North East King County Regional Public Safety Communications Agency (NORCOM) was formed effective November 1, 2007; and

WHEREAS, NORCOM is in the process of adopting its annual budget for 2020; and

WHEREAS, the NORCOM Interlocal Agreement, to which the City is a party, requires that the City Council approve the City's allocation for NORCOM's budget, which is estimated to be \$734,591 in 2020;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AS FOLLOWS:

The City of Mercer Island's allocation (\$734,591) for the North East King County Regional Public Safety Communications Agency (NORCOM) 2020 budget is hereby approved.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

**CITY OF MERCER ISLAND
RESOLUTION NO. 1563**

A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON PROVIDING FOR CLASSIFICATIONS OF WATER USERS; SETTING A BI-MONTHLY SCHEDULE OF RATES AND CHARGES FOR WATER USAGE AND FIRE SERVICE; AND SETTING A SCHEDULE OF SPECIAL SERVICE CHARGES, METER INSTALLATION CHARGES, AND CONNECTION CHARGES EFFECTIVE JANUARY 1, 2020 AND THEREAFTER.

WHEREAS, the City of Mercer Island provides water service to customers; and

WHEREAS, the City of Mercer Island is authorized to set rates and charges for the Utility under Chapter 15.12 of the Mercer Island City Code;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AS FOLLOWS:

Section 1. Classifications of Water Users Effective January 1, 2020

The following classifications of users are hereby adopted by the City for the City water system effective January 1, 2020, and thereafter.

- A. Single Family.** "Single Family" shall mean a residential structure or dwelling as defined in the City of Mercer Island Zoning Code, capable of being conveyed by separate title, served by a single domestic water meter. Provided, that where prior to December 1, 1980, more than one single family dwelling was served through a single common water meter, such service shall be allowed to continue under the "Single Family" classification until such time as the property or properties are subdivided into separate parcels, or when a higher demand for water service, as determined by the City, is required by a change in use or zoning.
- B. Low Income.** "Low Income" shall mean a person who shows satisfactory proof that he or she is living in a single family residence, and has a maximum annual income of not more than seventy percent (70%) of the Washington State median income as applicable for the number of individuals in the household as computed annually by the State or City. Applicants shall provide such data as to verify eligibility, upon forms provided by and in the manner determined by the City of Mercer Island.
- C. Multi-Family.** "Multi-Family" shall mean a residential structure or facility designed and/or used to house two or more families living independently of each other, including but not limited to, duplexes, triplexes, apartment buildings and condominiums, but shall not include hotels and motels.
- D. Commercial.** "Commercial" shall mean a structure or facility designed and/or used to conduct business and commerce, including but not limited to, motels, hotels, professional, private schools, industrial, churches and all other commercial/business users.
- E. Public.** "Public" shall mean structures and facilities used by governmental entities including the state, county, City of Mercer Island and other municipal corporations of the state and public schools of the Mercer Island School District.

- F. Irrigation.** "Irrigation" shall mean all meters used for the purpose of watering shrubbery, lawns, flower beds, gardens, ornamentals and the like.

Section 2. Schedule of Rates and Charges for Water Usage and Fire Service Effective January 1, 2020

- A. Rates.** The bi-monthly rates for metered water supplied by the City of Mercer Island for each one hundred (100) cubic feet of water consumed are set forth below:

Residential Bimonthly Water Rates					
	Fixed Charge	Volume Charge			
Class	Per Meter	Block 1	Block 2	Block 3	Block 4
	Equivalent*	(0-10 ccf)	(11-20 ccf)	(21-30 ccf)	(31+ ccf)
Single Family Residential	\$36.89	\$4.38	\$7.40	\$8.89	\$11.96
Low-Income Residential	\$36.89	\$1.10	\$1.85	\$2.22	\$2.99
Conservation Surcharge**				\$0.10	\$0.30
	Fixed Charge	Volume Charge			
Class	Per Meter	All Use			
	Equivalent*	(0-99+ ccf)			
Multi-Family Residential	\$36.89	\$6.49			

* Meter Equivalents are summarized in a following table. The total meter equivalent charge is based on the meter size and is calculated by multiplying the meter equivalents by the per meter equivalent rate.

** A surcharge of \$0.10 per ccf for single family residential bimonthly usage between and including 21 and 30 ccf, and \$0.30 per ccf for bimonthly usage in excess of 30 ccf, shall be included in the rates as an incentive to conserve and may be used to fund conservation education. This surcharge shall apply on consumption of water from June 1 through September 30.

Non-Residential Bimonthly Water Rates			
	Fixed Charge	Volume Charge	
Class	Per Meter	Winter**	Summer**
	Equivalent*	(All Usage)	(All Usage)
Commercial/Public	\$ 36.89	\$ 4.03	\$ 10.01
Irrigation	\$ 36.89	\$ 6.03	\$ 12.67

* Meter Equivalents are summarized in a following table. The total meter equivalent charge is based on the meter size and is calculated by multiplying the meter equivalents by the per meter equivalent rate.

** Seasons: Summer is June 1 through September 30; October 1 through May 31 is winter.

Table of Meter Equivalents and Fixed Charges		
Meter Size	Meter Equivalent	Fixed Charge
3/4 Inch or Smaller	1.0	\$ 36.89
1 Inch	2.5	\$ 92.23
1-1/2 Inch	5.0	\$ 184.45
2 Inch	8.0	\$ 295.12
3 Inch	16.0	\$ 590.24
4 Inch	25.0	\$ 922.25
6 Inch	50.0	\$ 1,844.50

- B. Fire Service Rates.** There is hereby established a schedule of rates for fire service which are the minimum monthly service charges for fire protection purposes exclusively for any two months, or fractional part thereof, as follows:

Service Connection	Rate
2 inch	\$ 34.60
3 inch	\$ 34.60
4 inch	\$ 43.70
5 inch	\$ 43.70
8 inch	\$ 61.95

- C. Rates for Unauthorized Use.** Water taken through unauthorized connections to the City water system shall be charged at double the rates set forth above based on the applicable "Classification of User" from the date of the commencement of such unauthorized use.

Section 3. Special Service Charges, Meter Installation Charges and Connection Charges Effective January 1, 2020

The following special service charges, meter installation charges, and connection charges are hereby adopted by the City.

- A. Special Service Charges.** There is hereby established a schedule of service charges to recover operating costs incurred in establishing new accounts, changes in occupancy, special service requests by customers, delinquent account collections and processing of NSF checks as follows:

Service Charge	Fee
New water set-up fee (meter reading)	\$ 40.00
Water shut-off, requested by user, during normal working hours	\$ 30.00
Water shut-off, requested by user, after hours	\$ 170.00
Non-payment dorr hanger notification (each occurrence)	\$ 25.00
Non-payment water turn on/turn off, normal working hours	\$ 80.00
Non-payment water turn on/turn off, after hours	\$ 195.00
Locked water meter due to theft	\$ 25.00
Non-sufficeint funds (check handling fee)	\$ 40.00

- B. Meter Installation Charges.** There is hereby established a schedule of meter installation charges for connection of new meters to the City water system, and for changes to water service where the previous type of use has been changed or increased as follows: For meters of all sizes, the charge will be based on the actual cost of installation. A deposit is required, based on the estimated cost, and is collected at the time of permitting the work.
- C. Connection Charges.** There is hereby established a schedule of connection charges for the installation of water service to property not previously served or for the installation of water service for an additional type of use and/or increase in meter size as follows:

Meter Size	Connection Charge
3/4 Inch or Smaller	\$ 2,551
1 Inch	6,377
1-1/2 Inch	12,754
2 Inch	20,407
3 Inch	40,813
4 Inch	63,771
6 Inch	127,542

Connection charges are studied periodically and adjusted for inflation in years between studies. The inflation factor applied is CPI-W First Half for Seattle-Tacoma-Bellevue.

For meter upsizes, the difference in the connection charge between the new meter size and the old meter size will be charged.

The provisions of this section shall not be construed to apply to additional water service for fire protection purposes.

Section 4. Effective Date

This resolution shall take effect and be in force on and after January 1, 2020. Nothing contained herein shall affect the amount of collection of rates, fees, and charges established prior to January 1, 2020.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

**CITY OF MERCER ISLAND
RESOLUTION NO. 1564**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON
PROVIDING FOR CLASSIFICATIONS OF USERS AND SETTING BI-MONTHLY
RATES AND CONNECTION CHARGES FOR SEWERAGE DISPOSAL
SERVICES EFFECTIVE JANUARY 1, 2020 AND THEREAFTER.**

WHEREAS, the City of Mercer Island provides sewer service to customers; and

WHEREAS, the City of Mercer Island is authorized to set rates and charges for the Utility under Chapter 15.06.110 of the Mercer Island City Code;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AS FOLLOWS:

Section 1. Classifications of Sewer Users Effective January 1, 2020

The following classifications of users are hereby adopted by the City for the City sewer system effective January 1, 2020, and thereafter.

- A. Single Family.** "Single Family" shall mean a residential structure or dwelling as defined in the City of Mercer Island Zoning Code, capable of being conveyed by separate title, served by a single domestic water meter.
- B. Low Income.** "Low Income" shall mean a person who shows satisfactory proof that he or she is living in a single family residence, and has a maximum annual income of not more than seventy percent (70%) of the Washington State median income as applicable for the number of individuals in the household as computed annually by the State or City. Applicants shall provide such data as to verify eligibility, upon forms provided by and in the manner determined by the City of Mercer Island.
- C. Multi-Family.** "Multi-Family" shall mean a residential structure or facility designed and/or used to house two or more families living independently of each other, including but not limited to, duplexes, triplexes, apartment buildings and condominiums, but shall not include hotels and motels.
- D. Commercial.** "Commercial" shall mean a structure or facility designed and/or used to conduct business and commerce, including but not limited to, motels, hotels, professional, private schools, industrial, churches and all other commercial/business users.
- E. Public.** "Public" shall mean structures and facilities used by governmental entities including the state, county, City of Mercer Island and other municipal corporations of the state and public schools of the Mercer Island School District.

Section 2. Sewerage Disposal Services Rates and Charges Effective January 1, 2020

The bi-monthly rates and charges for sewerage disposal services are set forth below:

Single Family Bimonthly Sewer Rates				
Class	King County	City Sewer Line Maintenance		
	Fixed Charge	Fixed Charges		Volume Charge
			Base Charge	
	King County Sewage Treatment	Billing Cost	(For first 600 cf of AVERAGE Winter Water Use ¹)	Per 100 cf of AVERAGE Winter Water Use ¹ beyond first 600 cf
Single Family Residential	\$90.66	\$9.46	\$48.48	\$8.08
Low-Income Residential ²	\$90.66	\$9.46	\$12.12	\$2.02

- A. Average winter water usage is based on the most current 4 months of winter water usage data available in the billing system. Calculation of the winter water average is based on usage as shown on the January and March bills or February and April bills depending on the billing/reading cycle. Calculation of sewer charges using the winter average is in effect for the following 12 months, until the next winter's water consumption data is available.

In the case of single family property, where there is no method of accurately calculating the average winter water usage because no water was used during the winter months, or any part thereof, or because the property is not connected to the sanitary sewer system, or for any other reason approved by the Deputy Finance Director or the Finance Director, the sewer volume charge herein will be the Island-wide bi-monthly average winter water use.

Newly-constructed single family properties shall be charged a sewer volume charge based on the per unit Island-wide average water usage for single family properties. Newly-constructed multi-family and commercial properties shall be charged a sewer volume charge based on their actual water usage.

Multi-Family and Commercial Bimonthly Sewer Rates			
Class	King County	City Sewer Line Maintenance	
	Sewage Treatment (Per 100 cf of ACTUAL Water Use ²)	Billing Cost	Volume Charge Per 100 cf of ACTUAL Water Use
Multi-Family Residential	\$6.04	\$9.46	\$8.08
Commercial / Public	\$6.04	\$9.46	\$8.08

- B. The King County rate for multi-family and commercial is derived by dividing King County's monthly rate (\$45.33) by King County's residential customer equivalency usage value of 750 cubic feet.

Section 3. Sewer Connection Charges Effective January 1, 2020

The connection charges payable by the property owners for connection to the City of Mercer Island sanitary sewer system shall be as follows:

Connection Charges	
All Classifications of Users	\$2,236 per King County residential customer equivalent (RCE)

Connection charges are studied periodically and adjusted for inflation in years between studies. The inflation factor applied is CPI-W First Half for Seattle-Tacoma-Bellevue.

All connection charges shall be due and payable at the time the connection service is requested and shall be delinquent if unpaid at the time the connection service is actually made. In the event of delinquency, the connection charges shall be double the amount set forth above.

Section 4. Effective Date

This resolution shall take effect and be in force on and after January 1, 2020. Nothing contained herein shall affect the amount of collection of rates, fees, and charges established prior to January 1, 2020.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

**CITY OF MERCER ISLAND
RESOLUTION NO. 1565**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON PROVIDING
FOR CLASSIFICATIONS OF USERS AND SETTING BI-MONTHLY RATES FOR
STORM AND SURFACE WATER SERVICES EFFECTIVE JANUARY 1, 2020 AND
THEREAFTER.**

WHEREAS, the City of Mercer Island provides storm and surface water services to customer; and

WHEREAS, the City of Mercer Island is authorized to set rates and charges for the Utility under Chapter 15.10.070 of the Mercer Island City Code;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AS FOLLOWS:

Section 1. Classifications of Storm and Surface Water Users Effective January 1, 2020

The following classifications of users are hereby adopted by the City for the City storm and surface water system effective January 1, 2020, and thereafter.

- A. Single Family.** "Single Family" shall mean a residential structure or dwelling as defined in the City of Mercer Island Zoning Code, capable of being conveyed by separate title, served by a single domestic water meter.
- B. Low Income.** "Low Income" shall mean a person who shows satisfactory proof that he or she is living in a single family residence, and has a maximum annual income of not more than seventy percent (70%) of the Washington State median income as applicable for the number of individuals in the household as computed annually by the State or City. Applicants shall provide such data as to verify eligibility, upon forms provided by and in the manner determined by the City of Mercer Island.
- C. Multi-Family.** "Multi-Family" shall mean a residential structure or facility designed and/or used to house two or more families living independently of each other, including but not limited to, duplexes, triplexes, apartment buildings and condominiums, but shall not include hotels and motels.
- D. Commercial.** "Commercial" shall mean a structure or facility designed and/or used to conduct business and commerce, including but not limited to, motels, hotels, professional, private schools, industrial, churches and all other commercial/business users.
- E. Public.** "Public" shall mean structures and facilities used by governmental entities including the state, county, City of Mercer Island and other municipal corporations of the state and public schools of the Mercer Island School District.

Section 2. Storm and Surface Water Services Rates Effective January 1, 2020

The bi-monthly rates (per equivalent service unit) for storm and surface water services are set forth below:

Bimonthly Storm and Surface Water Rates	
Classification of User	Rate
Single Family Residential	\$35.77
Low Income Residential	\$8.94
Multi-Family Residential*	\$35.77
Commercial/Public*	\$35.77

* For Multi-Family Residential, Commercial or Public property in the City, the number of equivalent service units is determined by dividing the total square feet of impervious surface for each account (which includes roof tops, pavement, and trafficked gravel) by the average square footage of impervious surface for single family residential accounts (3,471 square feet is the average).

Section 3. Effective Date

This resolution shall take effect and be in force on and after January 1, 2020. Nothing contained herein shall affect the amount of collection of rates, fees, and charges established prior to January 1, 2020.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

**CITY OF MERCER ISLAND
RESOLUTION NO. 1566**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON SETTING
BI-MONTHLY SERVICE FEES FOR THE EMERGENCY MEDICAL AND
AMBULANCE SERVICES EFFECTIVE JANUARY 1, 2020 AND THEREAFTER.**

WHEREAS, in 1980, the Mercer Island City Council created an ambulance service public utility for the purpose of regulating the delivery of basic life support emergency medical and ambulance service within the City of Mercer Island ("Utility"); and

WHEREAS, the City of Mercer Island is authorized to set fees for the Utility under Chapter 15.02 of the Mercer Island City Code, RCW 35.21.766 and RCW 35.27.370(15); and

WHEREAS, the Council directed staff to establish a flat fee per equivalent service unit for BLS ambulance transport service beginning in 2011;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AS FOLLOWS:

**Section 1. Classifications of Emergency Medical and Ambulance Services Users
Effective January 1, 2020**

The following classifications of users are hereby adopted by the City for emergency medical and ambulance services effective January 1, 2020, and thereafter.

- A. Single Family.** "Single Family" shall mean a residential structure or dwelling as defined in the City of Mercer Island Zoning Code, capable of being conveyed by separate title, served by a single domestic water meter.
- B. Low Income.** "Low Income" shall mean a person who shows satisfactory proof that he or she is living in a single family residence, and has a maximum annual income of not more than seventy percent (70%) of the Washington State median income as applicable for the number of individuals in the household as computed annually by the State or City. Applicants shall provide such data as to verify eligibility, upon forms provided by and in the manner determined by the City of Mercer Island.
- C. Multi-Family.** "Multi-Family" shall mean a residential structure or facility designed and/or used to house two or more families living independently of each other, including but not limited to, duplexes, triplexes, apartment buildings and condominiums, but shall not include hotels and motels.
- D. Commercial.** "Commercial" shall mean a structure or facility designed and/or used to conduct business and commerce, including but not limited to, motels, hotels, professional, private schools, industrial, churches and all other commercial/business users.
- E. Public.** "Public" shall mean structures and facilities used by governmental entities including the state, county, City of Mercer Island and other municipal corporations of the state and public schools of the Mercer Island School District.

- F. Residential Board & Care and 24-Hour Care.** “Residential Board & Care” or “24-Hour Care” users are based on the fire property classification.

Section 2. Emergency Medical and Ambulance Services Fees Effective January 1, 2020

The bi-monthly services fees per equivalent service unit (ESU) for emergency medical and ambulance services are set forth below:

Customer Class	ESU	Bi-Monthly
Single Family Residential	1	\$9.56
Multi-Family Residential	Per # of Equivalent Living Units (# of Apartment or Condo's)	\$9.56
Commercial	1	\$9.56
Public	1	\$9.56
Residential Board & Care	Per # of Equivalent Living Units (# of available beds)	\$9.56
24 Hour Nursing	Per # of Equivalent Living Units (# of available beds)	\$9.56

Section 2. Effective Date

This resolution shall take effect and be in force on and after January 1, 2020. Nothing contained herein shall affect the amount of collection of rates, fees, and charges established prior to January 1, 2020.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

**CITY OF MERCER ISLAND
ORDINANCE NO. 19-14**

**AN ORDINANCE RELATING TO THE LEVYING OF REGULAR PROPERTY
TAXES AND ESTABLISHING THE AMOUNT TO BE LEVIED IN 2020 ON THE
ASSESSED VALUATION OF THE PROPERTY WITHIN THE CITY**

WHEREAS, the City Council of the City of Mercer Island has conducted its mid-biennial review of the 2019-2020 Budget; and

WHEREAS, pursuant to RCW 84.55.120, the City Council of the City of Mercer Island held a public hearing for the purpose of considering testimony regarding the 2020 property tax levy; and

WHEREAS, the City Council of the City of Mercer Island, after due consideration of the evidence and testimony at the public hearing, has determined that the City requires an increase in property tax revenue in order to discharge the expected expenses and obligations of the City of Mercer Island; and

WHEREAS, the voters of the City of Mercer Island approved a levy lid lift in 2008 for the purpose of operating and maintaining Luther Burbank Park and other City parks and open spaces; and

WHEREAS, the voters of the City of Mercer Island approved a levy lid lift in 2012 for the purpose of replacing Fire Station No. 92 and a fire rescue truck; and

WHEREAS, the City intends to collect \$964,630 of the authorized 2008 Park Maintenance and Operations levy lid lift in 2020; and

WHEREAS, the City intends to collect \$688,880 of the authorized 2012 Fire Station and Fire Rescue Truck Replacement levy lid lift in 2020;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Total Property Tax Levy in 2020.

The property tax levy is hereby authorized to be collected in the 2020 tax year in the estimated amount of \$14,005,118, which amount when added to the estimated revenues will balance the revenues with the expenditures and which amount is in compliance with all applicable laws.

Section 2. Detail of Property Tax.

There is hereby levied upon all taxable property within the City of Mercer Island, Washington, a total tax of \$14,005,118 as follows:

REGULAR LEVY:

Prior Year Levy	\$12,012,111
1.0% Optional Increase	120,121
New Construction	200,000
Refund Levy	19,376

LEVY LID LIFTS:

2008 Parks Maintenance & Operations	964,630
2012 Fire Station & Fire Rescue Truck	688,880

TOTAL TAXES REQUESTED FOR 2020	<u>\$14,005,118</u>
---------------------------------------	----------------------------

The foregoing property tax levy amount shall be automatically adjusted without further action of the City Council to correspond to the final assessed valuation, new construction, and refund levy totals to be received from the King County Assessor prior to December 31, 2019.

Section 3. City Clerk Certification.

Pursuant to RCW 84.52.020, the Clerk is directed to certify the amount necessary to be raised by taxation as specified above to the Metropolitan King County Council. The City Finance Director is authorized and directed to transmit any adjustment made pursuant to Section 2 above to the 2020 property tax levy amount to the Metropolitan King County Council.

Section 4. Effective Date.

This ordinance shall take effect five days after passage and publication in the official newspaper of the City.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

APPROVED AS TO FORM:

Deborah A. Estrada, City Clerk

Bio Park, Interim City Attorney

Date of Publication: _____

**CITY OF MERCER ISLAND
ORDINANCE NO. 19-15**

**AN ORDINANCE AUTHORIZING AN INCREASE IN PROPERTY TAX
REVENUE FOR THE YEAR 2020.**

WHEREAS, the City Council of the City of Mercer Island has conducted its mid-biennial review of the 2019-2020 Budget; and

WHEREAS, pursuant to RCW 84.55.120, the City Council of the City of Mercer Island held a public hearing for the purpose of considering testimony regarding the 2020 property tax levy; and

WHEREAS, the City Council of the City of Mercer Island, after due consideration of the evidence and testimony at the public hearing, has determined that the City requires an increase in property tax revenue in order to discharge the expected expenses and obligations of the City of Mercer Island; and

WHEREAS, the voters of the City of Mercer Island approved a levy lid lift in 2008 for the purpose of operating and maintaining Luther Burbank Park and other City parks and open spaces; and

WHEREAS, the voters of the City of Mercer Island approved a levy lid lift in 2012 for the purpose of replacing Fire Station No. 92 and a fire rescue truck; and

WHEREAS, the City intends to collect \$964,630 of the authorized 2008 Park Maintenance and Operations levy lid lift in 2020; and

WHEREAS, the City intends to collect \$688,880 of the authorized 2012 Fire Station and Fire Rescue Truck Replacement levy lid lift in 2020.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Total Property Tax Increase.

There is hereby levied upon all taxable property within the City of Mercer Island, Washington, a total property tax levy of \$14,005,118, which is \$136,493, or 1.00 percent, more than the 2019 total property tax levy, excluding the amounts for new construction and refunds related to the 2020 tax year. The \$136,493 increase in the 2020 total property tax levy consists of the following: 1) \$120,121, or 1.00 percent, increase in the regular property tax levy; 2) \$9,551, or 1.00 percent, increase in the 2008 levy lid lift; and 3) \$6,821, or 1.00 percent, increase in the 2012 levy lid lift. The foregoing property tax levy amount shall be automatically adjusted without further action of the City Council to correspond to the final assessed valuation, new construction, and refund levy totals to be received from the King County Assessor prior to December 31, 2019.

Section 2. Regular Property Tax Increase.

An optional increase in the regular property tax levy is hereby authorized for the 2020 levy in the amount of \$120,121, which is a 1.00 percent increase over the previous year. The optional 1.00 percent increase is in addition to the new construction and refund amounts related to the 2020 tax year. The 2020 total regular levy, excluding the amounts for new construction and refunds, is

authorized in the amount of \$12,132,232, which is \$120,121, or 1.00 percent, more than the 2019 total regular levy.

Section 3. 2008 Levy Lid Lift Increase.

The voted property tax levy, which pertains to the levy lid lift passed by a vote of the Mercer Island citizens on November 4, 2008, is hereby authorized for the 2020 levy in the total amount of \$964,630. This is \$9,551, or 1.00 percent, more than the levy lid lift in the previous year and is within the provisions of the ballot measure.

Section 4. 2012 Levy Lid Lift Increase.

The voted property tax levy, which pertains to the levy lid lift passed by a vote of the Mercer Island citizens on November 6, 2012, is hereby authorized for the 2020 levy in the total amount of \$688,880. This is \$6,821, or 1.00 percent, more than the levy lid lift in the previous year and is in compliance with the provisions of the ballot measure.

Section 5. City Clerk Certification.

Pursuant to RCW 84.52.020, the Clerk is directed to certify the amount necessary to be raised by taxation as specified above to the Metropolitan King County Council. The City Finance Director is authorized and directed to transmit any adjustment made pursuant to Section 1 above to the 2020 property tax levy amount to the Metropolitan King County Council.

Section 6. Effective Date.

This ordinance shall take effect five days after passage and publication in the official newspaper of the City.

ADOPTED BY THE CITY COUNCIL OF MERCER ISLAND, WASHINGTON AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

APPROVED AS TO FORM:

Deborah A. Estrada, City Clerk

Bio Park, Interim City Attorney

Date of Publication: _____

**CITY OF MERCER ISLAND
ORDINANCE NO. 19-17**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
INCORPORATING CERTAIN BUDGET REVISIONS
TO THE 2019-2020 BIENNIAL BUDGET AND
AMENDING ORDINANCE NOS. 18-18, 19-08, 19-09 AND 19-12**

WHEREAS, the City Council adopted the 2019-2020 Budget by Ordinance No. 18-18 on December 4, 2018, representing the total for the biennium of estimated resources and expenditures for each of the separate funds of the City; and

WHEREAS, budget adjustments are needed that have been previously approved by the City Council, as noted in the following table;

Fund	Department	Description	Agenda Bill	Budget Year	Amount	Funding Source(s)
Contingency	Non-Dept'l	Interfund transfer to Town Center Parking Facilities Fund	AB 5625, 11/04/19	2019	\$63,055	Unappropriated fund balance
Youth & Family Services	YFS	Sober Truth on Preventing Under Age Drinking (STOP Grant) and Partnership for Success, Strategic Prevention Framework (SPF Grant)	AB 5615, 11/4/19	2019	\$87,150	SAMHSA Grants
		Sober Truth on Preventing Under Age Drinking (STOP Grant) and Partnership for Success, Strategic Prevention Framework (SPF Grant)	AB 5615, 11/4/19	2020	\$348,600	SAMHSA Grants
Town Center Parking Facilities	City Manager's Office	Additional due diligence, negotiation, and other costs related to City's proposed commuter parking and mixed use project	AB 5625, 11/4/2019	2019	\$63,055	Interfund transfer from Contingency Fund

WHEREAS, budget adjustments are needed that have not been previously approved by the City Council, as noted in the following table;

Fund	Department	Description	Budget Year	Amount	Funding Source(s)
General	Parks & Recreation	Restore sport and fitness recreation & community programs for youth, seniors and families	2019	\$20,000	King County Get Active, Stay Active grant
		Restore sport and fitness recreation & community programs for youth, seniors and families	2020	\$20,000	King County Get Active, Stay Active grant

Fund	Department	Description	Budget Year	Amount	Funding Source(s)
General	Police	Restore community-based outreach	2020	\$20,000	Private Donation
Storm water	Public Works	Water quality and stormwater capacity	2019	\$50,000	WA Dept of Ecology Grant

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Amending the 2019-2020 Budget

The 2019-2020 Budget for the City of Mercer Island, as adopted in Ordinance No. 18-18 and amended by Ordinance Nos. 19-08, 19-09 and 19-12, is hereby amended to incorporate increases and decreases in resources and expenditures in the following funds for the 2019-2020 biennium:

Fund No.	Fund Name	Resources	Expenditures
001	General	\$60,000	\$60,000
130	Contingency	\$63,055	\$63,055
160	Youth & Family Services	\$435,750	\$435,750
342	Town Center Parking Facilities	\$63,055	\$63,055
432	Stormwater	\$50,000	\$50,000
Totals		\$671,860	\$671,860

Section 2. Amending Previously Adopted Budget Ordinances

City Ordinance Nos. 18-18, 19-08, 19-09 and 19-12, as previously adopted and as hereby amended, are hereby ratified, confirmed, and continued in full force and effect.

Section 3. Effective Date

This Ordinance shall take effect and be in force 5 days after passage and publication.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS MEETING ON THE 19th DAY OF NOVEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

APPROVED AS TO FORM:

Bio Park, Interim City Attorney

Date of Publication: _____

Mid-Biennial Budget Review

AB 5633 | November 19, 2019



Agenda

- Public Hearing
- 2019 Third quarter financial status report
- Resolutions & Ordinances
 - a) 2020 NORCOM resolution
 - b) 2020 Utility rate resolutions
 - c) 2020 property tax ordinances
 - d) 2019-2020 Budget Adjustment



Mike Bailey – Finance Consultant



- Mike Bailey has worked in local government finance since 1980.
- He was the City of Redmond Finance & Technology Director for the past 10 years.
- He is a former president of the Washington Government Finance Officers Association (WFOA) and served on their Executive Board.
- Mike is a CPA and his BA and MBA are from the University of Puget Sound.
- He currently serves as a Finance Consultant at MRSC.

Consulting Contract

- Perform an assessment of the City's Finance Department. This includes the staffing structure, business systems, policies and more.
- Provide support and assistance to the Interim Finance Director for long-range forecasting, mid-biennial budget review, etc.
- Attend 2020 Council Planning Session to support the long-range financial planning discussion.
- Assess other finance related functions (payroll, online payments, etc.).



LaJuan Tuttle – Interim Finance Director



- LaJuan has two decades of experience with the City.
- Her roles at the City include serving most recently as Deputy Finance Director, and previously as Accounting Manager, Accounting Supervisor, and Senior Accountant. She joined the Mercer Island team in 1998 as the Accounting Clerk.
- She has performed nearly every function in the Finance Department including managing the biennial budget process.
- LaJuan earned a B.A. in Accounting from the University of Puget Sound.



Public Hearing

Open public hearing to receive public comment on the City's financial status and the proposed rate resolutions and ordinances for 2020

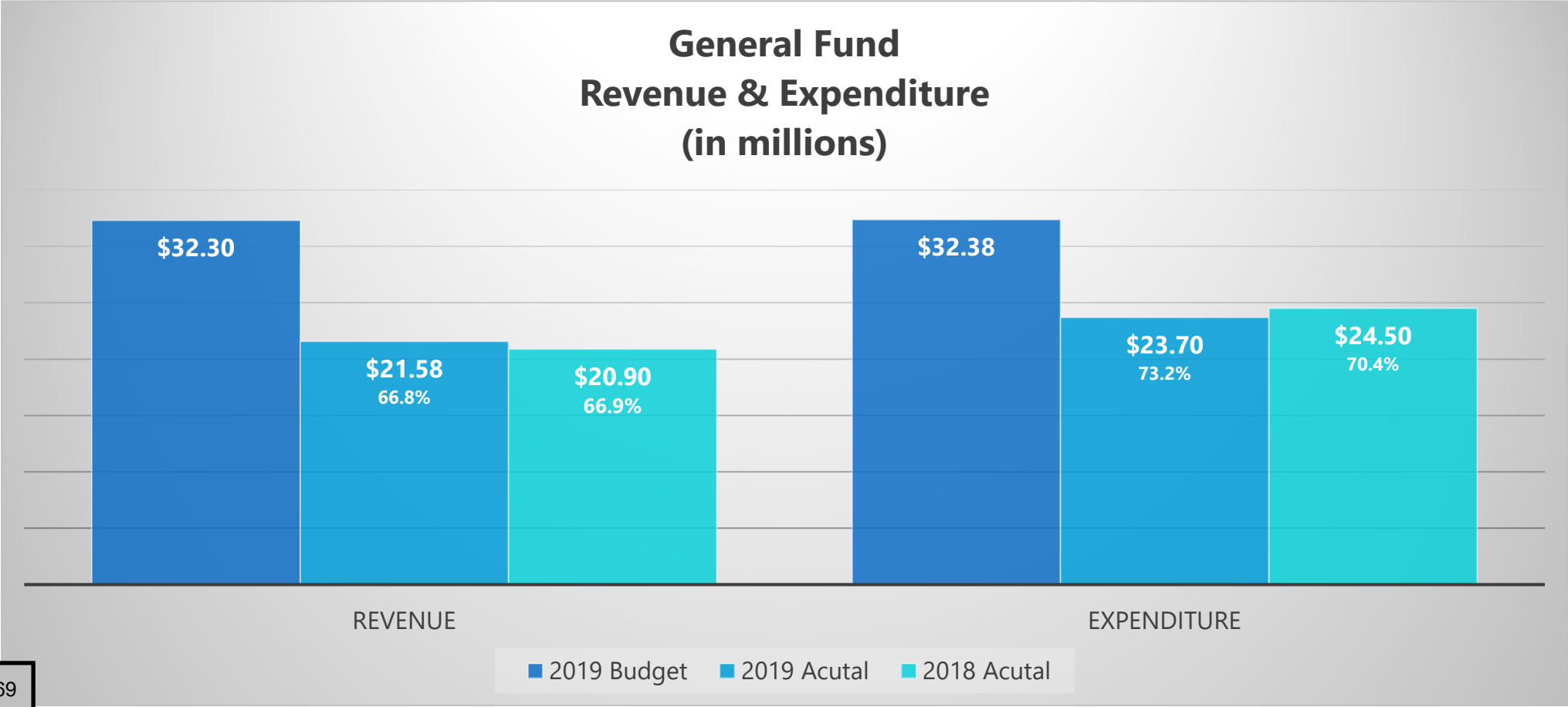


Financial Status Report

1. General Fund
2. Utility Funds
3. All other funds
4. Budget Adjustments



General Fund



General Fund Sales Tax

Item 8.

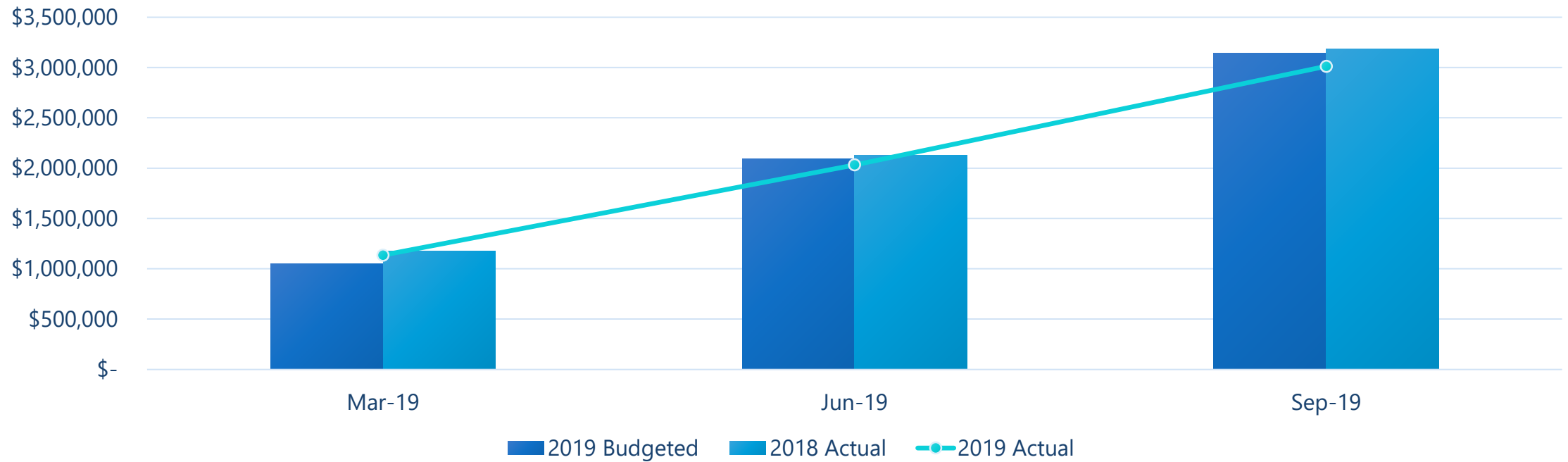
Business Sector	Year to Date 9/30/2018	Year to date 9/30/2019	Increase / (Decrease)	2018 % of Total	2019 % of Total
Construction	\$1,374,020	\$1,267,182	(\$106,838)	41.0%	38.0%
Retail & Wholesale Trade	910,453	972,269	61,816	27.2%	29.1%
Admin & Support Services	245,546	262,806	17,260	7.3%	7.9%
Food Service	168,126	180,903	12,777	5.0%	5.4%
All Other Sectors	653,477	652,570	(907)	19.5%	19.6%
Total	\$3,351,622	\$3,335,730	(\$15,892)		



General Fund Utility Taxes

Item 8.

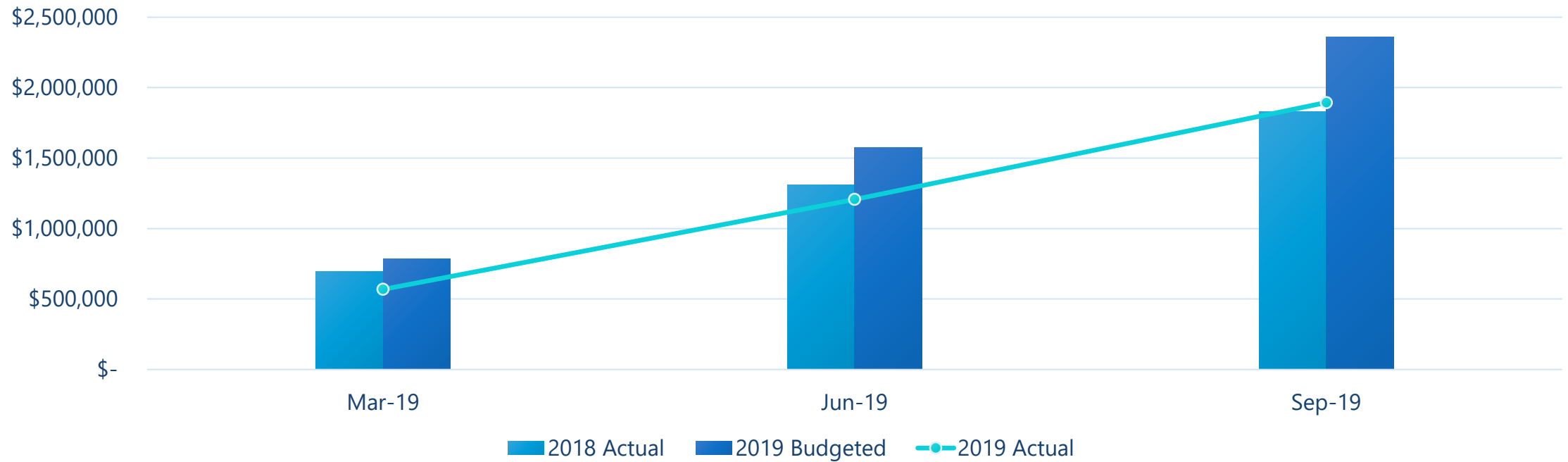
Utility Tax Revenues



General Fund Permit & Land Use Revenue

Item 8.

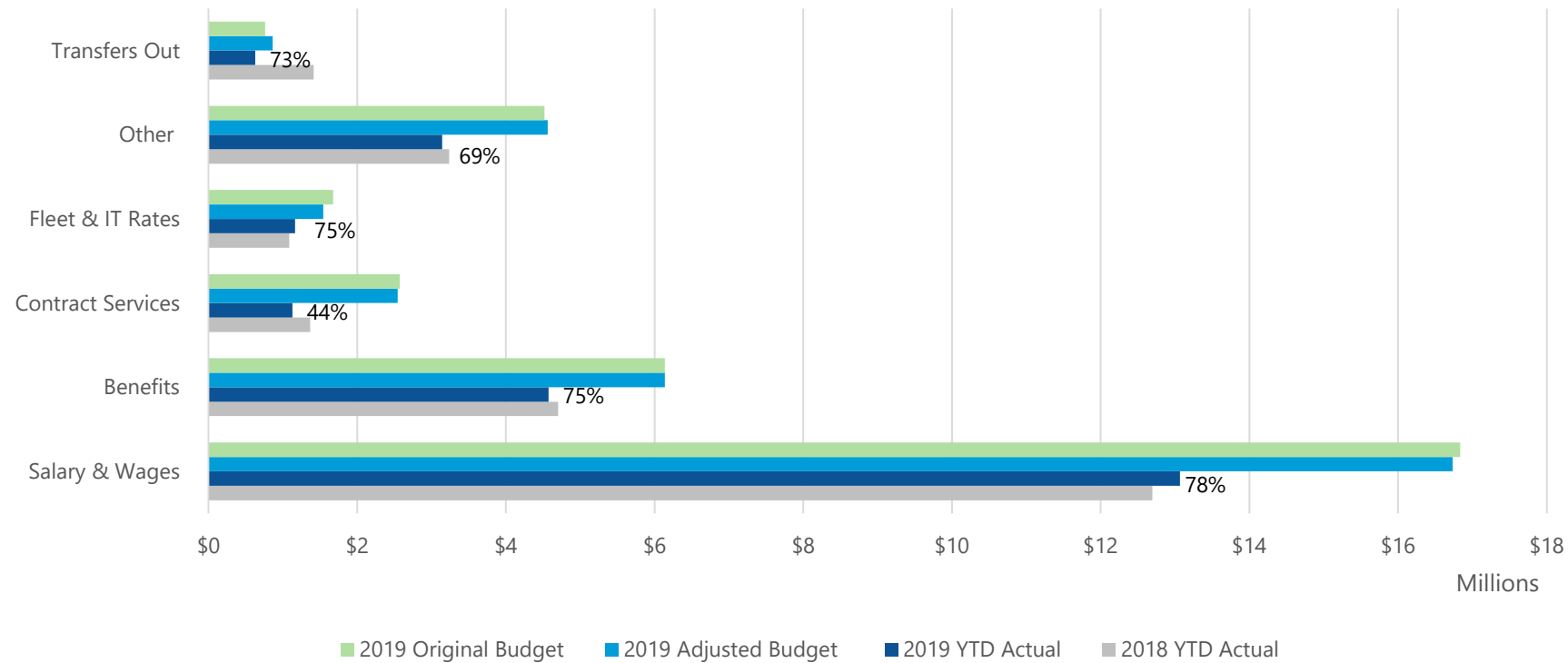
Permit and Land Use Revenues



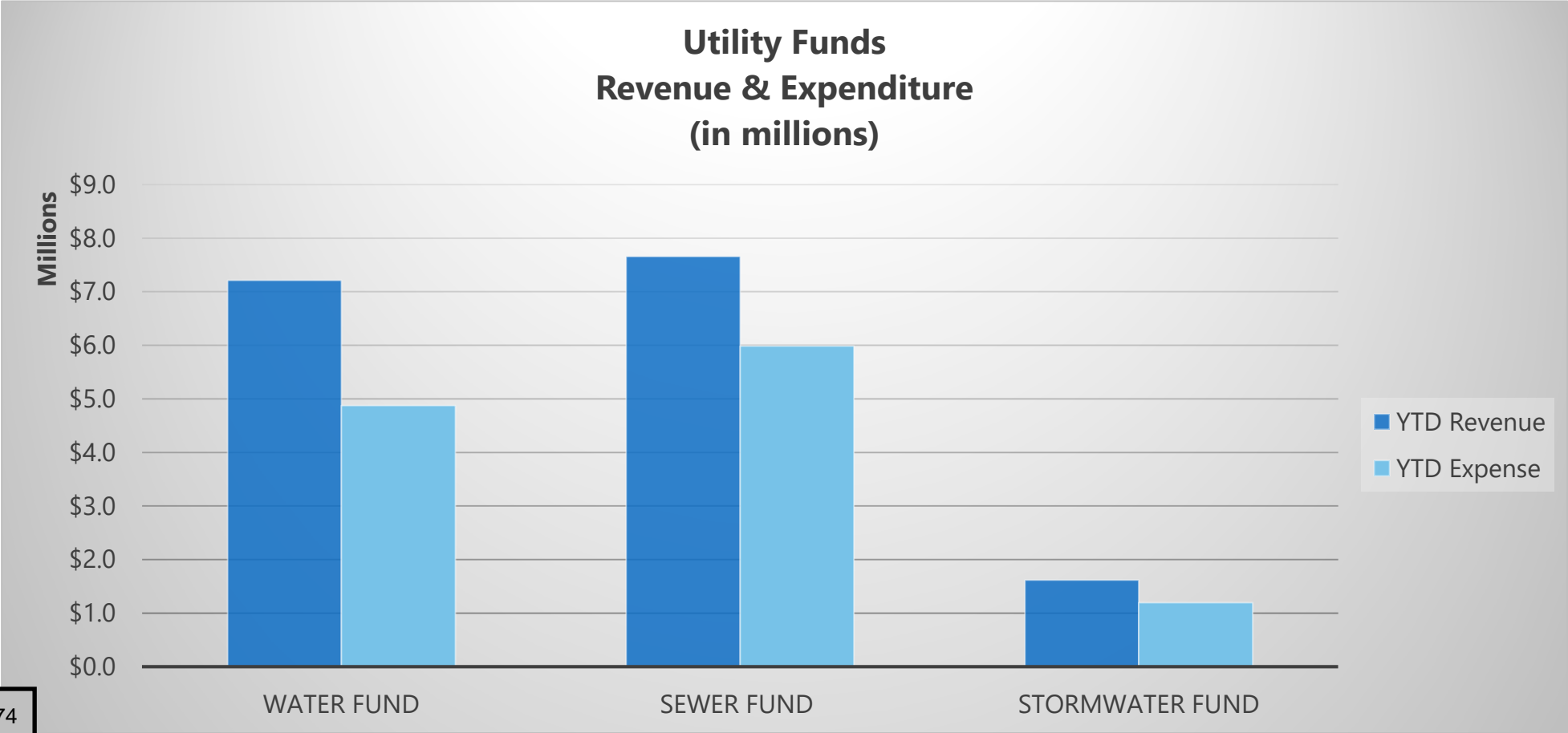
General Fund Expenditures

Item 8.

Expenditures by Category



Utility Funds



Budget Adjustments

Fund	Department	Description	Agenda Bill	Budget Year	Amount	Funding Source(s)
Contingency	Non-Dept'l	Interfund transfer to Town Center Parking Facilities Fund	AB 5625, 11/04/19	2019	\$63,055	Unappropriated fund balance
Youth & Family Services	YFS	Sober Truth on Preventing Under-Age Drinking (STOP Grant) and Partnership for Success, Strategic Prevention Framework (SPF Grant)	AB 5615, 11/4/19	2019	\$87,150	SAMHSA Grants
		Sober Truth on Preventing Under-Age Drinking (STOP Grant) and Partnership for Success, Strategic Prevention Framework (SPF Grant)	AB 5615, 11/4/19	2020	\$348,600	SAMHSA Grants
Town Center Parking Facilities	City Manager's Office	Additional due diligence, negotiation, and other costs related to City's proposed commuter parking and mixed- use project	AB 5625, 11/4/2019	2019	\$63,055	Interfund transfer from Contingency Fund



Budget Adjustments

Fund	Department	Description	Budget Year	Amount	Funding Source(s)
General	Parks & Recreation	Restore sport and fitness recreation & community programs for youth, seniors and families	2019	\$20,000	King County Get Active, Stay Active grant
		Restore sport and fitness recreation & community programs for youth, seniors and families	2020	\$20,000	King County Get Active, Stay Active grant
General	Police	Restore community based outreach	2020	\$20,000	Private Donation
Storm Water	Public Works	Water quality and stormwater capacity	2019	\$50,000	WA Dept of Ecology Grant



NORCOM

Decrease of \$51,593 as compared to actual cost in 2019.

Savings of \$87,623 compared to 2020 budget for dispatch services

Department	2019 Allocation	2020 Budget	2020 Allocation	Change 2019 vs 2020 Actual	Budget Savings
Mercer Island Police	\$616,775	\$647,614	\$569,569	(\$47,206)	\$78,045
Mercer Island Fire	\$169,409	\$174,600	\$165,022	(\$4,387)	\$9,578
Total	\$786,184	\$822,214	\$734,591	(\$51,593)	\$87,623

Utility Rate Resolutions

- At its September 10, 2019 and October 8, 2019 meetings, the Utility Board approved increases for water, sewer, stormwater and EMS utility rates.
- The 2020 bi-monthly bill impact on an average single-family residential customer is noted in the table below.

Utility Rate Component	2019 Adopted	2020 Proposed	\$ Change		% Change	
			2019	2020	2019	2020
Water	\$117.48	\$125.12	\$7.17	\$7.64	6.5%	6.5%
Sewer (City portion)	\$91.23	\$98.26	\$6.52	\$7.03	7.7%	7.7%
Sewer Treatment (King County)	\$90.66	\$90.66	\$2.22	\$0.00	2.5%	0.0%
Stormwater	\$34.66	\$35.77	\$1.07	\$1.11	3.2%	3.2%
EMS	\$9.29	\$9.56	\$0.15	\$0.27	1.6%	2.91%
Total	\$343.32	\$359.37	\$17.13	\$16.05	5.3%	4.7%



Property Tax

The 2019-2020 Budget was balanced assuming the Council approves the 1.0 percent optional increase for both the 2019 and 2020 fiscal years.

The 1.0 percent is added to the regular levy and levy lid lifts.

Levy Elements	2019 Final Levy	1% Increase	2020 Prelim Levy
Regular Levy:			
Prior Year Levy	\$12,012,111	\$120,121	\$12,132,232
Plus New Construction			200,000
Plus Re-levy of Prior Year Refunds	28,440		19,376
Total Regular Levy	\$12,040,551	\$120,121	\$12,351,608
Levy Lid Lifts:			
2008 Parks Maintenance & Operations	955,079	9,551	964,630
2012 Fire Station & Fire Rescue Truck	682,059	6,821	688,880
Total Levy Lid Lifts	1,637,138	16,372	1,653,510
Total Levy	\$13,677,689	\$136,493	\$14,005,118
% Change Relative to Prior Year*	1.00%		1.00%

**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND****AB 5623
November 19, 2019
Regular Business****AGENDA BILL INFORMATION**

TITLE:	AB 5623: Sustainability Update – K4C Commitments	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Approve Resolution No. 1570 to adopt refreshed King County-Cities Joint Climate Commitments	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	City Manager
STAFF:	Ross Freeman, Sustainability Manager
COUNCIL LIAISON:	Bruce Bassett Benson Wong Salim Nice
EXHIBITS:	1. Resolution No. 1570 & Attachment A: New Joint Climate Commitments (2019) 2. Original King County-Cities Joint Climate Commitments (2014) 3. Resolution No. 1389 (2007)
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

This agenda bill presents an opportunity for the Council to adopt a refreshed set of joint climate commitments to reduce greenhouse gas emissions, as part of the City's ongoing multiyear participation in the King County-Cities Climate Collaboration (K4C).

Due to recent climate-related policy advances made in Olympia, along with the unexpected weakening of some federal emissions programs, and new technical developments, member cities decided in early 2019 to refresh the original 2014 commitments. At their recent October 23, 2019 biannual work session, held on Mercer Island, K4C members discussed the updated set of Joint Climate Commitments and provided feedback on final language (see Exhibit 1, and Attachment A).

The updated Joint Commitments document is very similar to the original 2014 commitments, with differences consisting mostly of: clarifications of certain phrases; more inclusive language; acknowledgment of new State legislation; and three new sections addressing (a) new technology (e.g. electric vehicles), (b) city operations, and (c) the need for climate change preparedness.

BACKGROUND

In order to make the best use of time, the Sustainability Manager often pursues much of the City's Greenhouse Gas reduction ("GHG") work via participation in programs coordinated by the K4C. Due to the interconnected nature of emissions, K4C actions can include local GHG initiatives with various partner cities, as well as advocacy before State agencies or at the State Legislature (sometimes in conjunction with Mercer Island Councilmembers), or action through sign-on letters.

The City of Mercer Island was a founding member of the K4C in 2011 and formalized its participation via an ongoing interlocal agreement. In 2014, more than a dozen K4C members, including Mercer Island, were seeking a more unified platform to guide GHG reductions, and assembled to develop a set of voluntary shared actions that would accelerate progress towards a clean and sustainable future. These principles –the "Joint Commitments"– are focused on practical, near-term, collaborative opportunities between cities and King County, and were built on the significant work that many cities and the County were already undertaking. The [original Joint Commitments document](#) from 2014 (Exhibit 2) was endorsed by Mercer Island, King County, and 11 other member cities (Shoreline, Seattle, Issaquah, Kirkland, Sammamish, Snoqualmie, Tukwila, Renton, Redmond, Bellevue, Burien).

The 2019 refreshed Joint Commitments document has an overarching goal of achieving "Shared countywide GHG reduction targets that reduce countywide sources of GHG emissions by at least 50% by 2030 and 80% by 2050, compared to a 2007 baseline."

While all partners support the shared vision that the Commitments represent, it is not the intention that each partner will or can pursue every action. Instead, each partner actively pursues "strategies where action, investment and policy will have the most impact and influence." To emphasize this concept, it has been moved up the list of foundational principles in the document's preamble. In other words, actions and programs will look different for every member city, and the Joint Commitments are a collective vision, not a County mandate.

At the same time, it's also important to note that the overarching GHG goals of the Joint Commitments align with several goals or programs already underway.

- a) **2007:** In its May 2007 [Resolution \(No. 1389\)](#) (Exhibit 3), the Mercer Island City Council formally committed to strive for greenhouse gas emissions of 80% below current levels by 2050, for both the community as a whole and City operations.
- b) **2014:** The King County Growth Management Planning Council – a formal body of elected officials from across King County – voted in 2014 to adopt a shared target to reduce countywide sources of GHG's, compared to a 2007 baseline, by 25% in 2020, 50% in 2030, and 80% in 2050.
- c) **2019:** The Washington State Legislature passed, and the Governor signed into law, bills that will transition the electricity sector to clean sources by 2045, accelerate efficiency in the built environment, and reduce transportation related emissions.

The broad partnership represented by the K4C (which now also includes the Port of Seattle) is virtually unprecedented nationwide and is recognized as a very effective means by which to organize multi-jurisdictional GHG reduction work. Through its membership, Mercer Island has been able to amplify its influence and successfully advocate for, or implement, a range of progressive environmental measures.

Over the past few years, group achievements have included:

- Significant advancement of legislation in Olympia to support clean electricity legislation, appliance and building efficiency, clean fuels and vehicle electrification, and phasing out of hydrofluorocarbons
- The opportunity to participate in a new 130 Megawatt windfarm in central western Washington via PSE's new Green Direct programs
- Extensive support of enhanced commercial and residential energy codes (2018 cycle) to reduce heating and cooling costs for homeowners, and reduce energy use

RECOMMENDATION

Approve Resolution No. 1570 to adopt the refreshed 2019 Joint Climate Commitments presented by the K4C.

**CITY OF MERCER ISLAND
RESOLUTION NO. 1570**

**A RESOLUTION OF THE CITY OF MERCER ISLAND ADOPTING AN
UPDATED VERSION OF THE KING COUNTY-CITIES CLIMATE
COLLABORATION (K4C) JOINT CLIMATE COMMITMENTS**

WHEREAS, the King County-Cities Climate Collaboration (K4C), of which the City of Mercer Island is a founding and ongoing member, has developed an updated set of climate commitments addressing shared actions by which to reduce greenhouse gas (GHG) emissions; and

WHEREAS, the City Council in May 2007 (by Resolution No. 1389) formally committed to strive for GHG emissions of **80% below current levels by 2050**, for both the community as a whole and City operations; and

WHEREAS, the City of Mercer Island in 2014 endorsed the previous version of the K4C Joint Climate Commitments; and

WHEREAS, the City Council finds the updated 2019 Joint Climate Commitments to align with previous and ongoing GHG reduction work led by the City, its partners, and community members; and

WHEREAS, the improvement of public health is furthered by reduced GHG outputs in the region; and

WHEREAS, the 2019 refreshed Joint Commitments document has an overarching goal of achieving “Shared countywide GHG reduction targets that reduce countywide sources of GHG emissions by at least 50% by 2030 and 80% by 2050, compared to a 2007 baseline.”

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND AS FOLLOWS:

Section 1. The City Council adopts the updated 2019 version of the K4C Joint Climate Commitments (attached hereto as Attachment A) as part of its ongoing efforts to reduce local and regional GHG emissions.

Section 2. It is understood by all K4C members that actions and programs will look different for every member city, that the Joint Commitments are a collective vision, and that not every city will pursue every action.

Section 3. This resolution shall take effect immediately upon passage.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS REGULAR MEETING ON THE 19TH DAY OF NOVEMBER 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

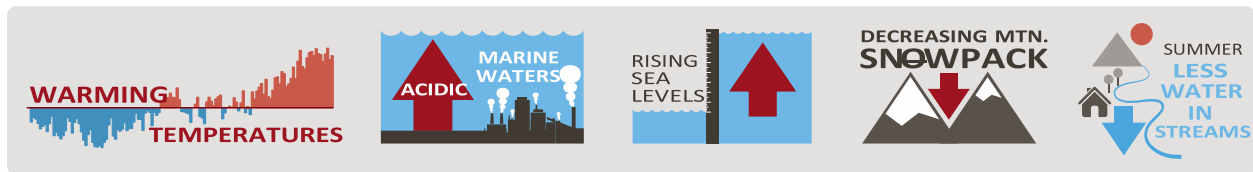
ATTEST:

Deborah A. Estrada, City Clerk

Joint Letter of Commitment: Climate Change Actions in King County

Climate change is a paramount challenge of this generation and has far-reaching and fundamental consequences for our economy, environment, public health, and safety.

Across King County and its cities, we are already experiencing the impacts of climate change: warming temperatures, acidifying marine waters, rising seas, decreasing mountain snowpack, and less water in streams during the summer.



These changes have the potential for significant impacts to public and private property, resource based economies like agriculture and forestry, and to residents' health and quality of life.

The decisions we make locally and regionally, such as where our communities will grow and how they will be served by transportation, will set the stage for success or failure in reducing carbon pollution, making sound long-term investments, and ensuring our communities are livable and resilient to climate change impacts.

The Intergovernmental Panel on Climate Change, the United Nations body responsible for assessing the science related to climate change, implications and adaptation and mitigation efforts, released a report in 2018 calling for rapid reductions in carbon emissions to reduce the impacts of global warming. The King County Growth Management Planning Council – a formal body of elected officials from across King County – voted in 2014 to adopt a shared target to reduce countywide sources of greenhouse gas (GHG) emissions, compared to a 2007 baseline, by 25% by 2020, 50% by 2030, and 80% by 2050. In 2019, the Washington State Legislature passed, and the Governor signed into law, bills that will transition the electricity sector to clean sources by 2045, accelerate efficiency in the built environment, and reduce transportation related emissions.

Based on our shared assessment of emissions in King County, and review of potential strategies to reduce emissions, we believe that these targets are ambitious but achievable.

Building on the work of the King County-Cities Climate Collaboration (K4C) - a partnership between the County and partners to coordinate and enhance local government climate and sustainability efforts – more than a dozen cities and the County came together in the first half of 2014 to chart opportunities for joint actions to reduce GHG emissions and accelerate progress towards a clean and sustainable future. In 2019, K4C partners seek to refresh these commitments to reflect changes in the regulatory landscape, technical developments, and updated emissions information.

The attached Principles for Collaboration and Joint County-City Climate Commitments are focused on practical, near-term, collaborative opportunities between partners and King County. These shared commitments build on the significant work that many of our partners and County are already taking. By signing this letter, we pledge our support for the shared vision that these principles and actions represent. All partners commit to actively pursue those strategies, policies, and actions to make the most impact given the size, location, and development patterns of their jurisdictions.

Through focused, coordinated action, we will maximize the impact of our individual and shared efforts.



Principles for Collaboration

1. Climate change is the paramount challenge of our generation, and has fundamental and far-reaching consequences for our economy, environment, and public health and safety.
2. Strong action to reduce GHG emissions is needed, and the time is now.
3. Local governments can reduce greenhouse gas (GHG) emissions through many decisions related to transportation and land use, energy and green building, forests and farms, and consumption and materials management.
4. All partners support the shared vision that the Joint County-City Climate Commitments represent, but it is not the intention that each partner will pursue every action. Each partner will actively pursue strategies where action, investment and policy will have the most impact and influence.
5. Many cities in King County have set individual climate goals and are taking steps to reduce local GHG emissions, and we need to build on this leadership.
6. Local solutions need to be implemented in ways that build a cleaner, stronger and more resilient regional economy and support the health of communities and our natural environment.
7. Reaching our goals will require collaboration, and trust between the County, cities, utilities, businesses, nonprofit organizations, and other public sector agencies.
8. Building an equitable clean energy economy will require deeper engagement with communities of color and low income, immigrant, and youth populations. These communities are more vulnerable to the impacts of climate change—from increasing flood risks to rising costs of fossil fuels – and historically less likely to be included in community-scale solutions or as leaders. We are committed to work in ways that are fair, equitable, empowering, and inclusive, and will seek solutions in concert with highly impacted communities. Solutions should prioritize low- and no-income people, people of color and indigenous people, immigrants and refugees, people with disabilities, and limited-English speaking communities. Solutions should include provisions for a just transition for workers.

9. Solutions to reduce carbon emissions require action at local, state and federal government levels. We have the responsibility to lead at the local level, and we have the power to influence and advocate for change at the state and federal level that supports and advances the work we undertake at the local level.
10. We can accomplish more with a shared vision and coordinated action; collaboration will increase the efficiency of our efforts and magnify the impact of our strategies beyond what each of us could achieve on our own.
11. As of 2019, King County and 17 partners are members of the King County-Cities Climate Collaboration, and we will work to build on this membership, in both increased action and participation from additional partners.
12. Elected and staff representatives will reconvene at least twice a year to share our individual and collective successes, and develop plans for continued action and investment in carbon emission reduction solutions. Elected officials have the opportunity at their discretion to engage more actively in advancing the shared goals, such as through joint comment letters, with support by King County staff. All partners also dedicate a staff member to coordinate implementation of the following Joint County-City Climate Commitments, and to serve as a representative to the K4C. Staff will meet regularly to share best practices and develop tools and strategies for implementing shared goals.

Joint County-City Climate Commitments



I. Shared Goals

Pathway: Achieve shared countywide GHG reduction targets that reduce direct countywide sources of greenhouse gas (GHG) emissions by at least 50% by 2030 and 80% by 2050, compared to a 2007 baseline. Pursue additional goals and actions to sequester carbon and reduce emissions from consumption of goods and services.

Policy Commitment: Adopt GHG reduction targets that are consistent with those established by the Growth Management Planning Council and that support countywide emission reduction goals.

Project or Program: Build on King County's commitment to measure and report on countywide GHG emissions by sharing data between partners, informing the public of our individual and collective progress, and using the information to inform regional climate action.



II. Climate Policy

Pathway: Support strong federal, regional, state, countywide, and local climate policy.

Policy Commitment: Advocate for comprehensive federal, regional, and state science-based limits and a market-based price on carbon pollution and other greenhouse gas (GHG) emissions. A portion of revenue from these policies should support local GHG reduction efforts that align with these Joint County-City Climate Commitments, such as funding for transit service, renewable energy and energy efficiency projects, green building, and forest protection and restoration initiatives.



III. Transportation and Land Use

Pathway: Align planning for employment, affordable housing and mobility taking into consideration impacts to GHG emissions. Increase transit service and mobility with a goal of reducing countywide driving per capita by 20% by 2030 and 50% by 2050, compared to 2017 levels, understanding that different areas of the county have varying levels of transit access.

Policy Commitment: Partner to secure state authority for funding to sustain and grow transit service and support travel by walking and biking through development of dedicated trails and bike lanes in King County. Support increased mobility through land use and street planning that provides for faster travel times, easier connections, and broader reach of transit services. Work to ensure new mobility services supplement transit services and prioritize outcomes for communities where mobility needs are greatest.

Policy Commitment: Update and implement Vision 2050, the region's growth strategy, to focus growth inside the Urban Growth Area cities and centers served by high capacity transit and create vibrant urban centers, protect natural resource lands and rural areas, and direct public investments in support of efficient land use. Implement land use strategies in ways that help us achieve shared climate goals, more closely link housing and jobs, and encourage dense, healthy, sustainably developed mixed-use neighborhoods near transit that minimize displacement. Increase mobility and accessibility options for biking, rolling, and walking so more people have fast, convenient, and low GHG emissions ways to travel.

Project or Program: As practical, for King County and cities developing equitable transit-oriented communities around high capacity light rail and transit projects, adopt the Puget Sound Regional Council's Growing Transit Communities Compact.



IV. Clean Fuels and Electric Vehicles

Pathways: (1) Protect Federal Vehicle Efficiency Standards. (2) Adopt a regional or statewide Clean Fuels Standard that reduces transportation fuel emissions intensities by at least 20% by 2030, compared to 2017 levels. (3) Increase use of electric vehicles such that 100% of light duty vehicles are electric and at least 60% of medium duty and 40% of heavy-duty vehicles are electric by 2050.

Policy Commitment: Reduce climate pollution, build our renewable energy economy, and lessen our dependence on imported fossil fuels, by supporting the adoption of a statewide or regional low carbon fuel standard that gradually lowers pollution from transportation fuels.

Policy Commitment: Support engagement and partnerships with utilities and organizations to develop regional pilots to incent the transition to electric vehicle ownership for all sectors, through development of infrastructure, education, and grants and incentives.

Policy Commitment: Enact local code and programs to incent or require electric vehicle charging within buildings or on development sites.



V. Energy Supply

Pathway: Implement the Washington State Clean Energy Transformation Act, which phases out coal-fired electricity sources by 2025 and requires 80% carbon neutral electricity by 2030, and 100% clean electricity by 2045; limit construction of new natural gas based electricity power plants, and seek to establish a more resilient energy system.

Policy Commitment: Build on existing state renewable energy commitments including the Washington State Renewable Portfolio Standard (RPS) and the Clean Energy Transformation Act that provides for 100% Clean electricity supply by 2045 by partnering with local utilities, state regulators and other stakeholders on a countywide commitment to clean energy resources. This includes meeting future energy needs through deep energy efficiency improvements and improved management of peak demands, and supporting renewable generation and fuel resources while phasing-out fossil fuels.

Project or Program: In partnership with utilities, develop a package of local jurisdictional commitments and initiatives that support renewable and distributed energy sources that direct the region toward a robust and resilient utility system. Actions include supporting community solar development, green power community challenges, streamlined local renewable energy installation permitting, district energy, code development and renewable energy incentives.

Project or Program: Participate in utility Integrated Resource Plan and Energy Plan development processes, and emphasize interests for acceleration of transition and equitable distribution of benefits through regulatory and rulemaking forums.



VI. Green Building and Energy Efficiency

Pathways: (1) Reduce energy use in all existing buildings 25% by 2030 and 45% by 2050 compared to 2017; (2) Implement Washington State Energy Code which requires new buildings constructed to move incrementally towards stronger efficiency performance including a 70% energy reduction and net-zero GHG emissions in new buildings by 2031. (3) Strengthen conservation, and use of renewable natural gas, and support the transition to electrical systems to reduce natural gas and other fossil fuel use in existing buildings by at least 20% by 2030 and 80% by 2050.

Policy Commitment: Participate in the Regional Code Collaboration and adopt code pathways that build on the Washington State Energy Code, leading the way to “net-zero carbon” buildings, reduced water consumption, and the use of building materials with low carbon emissions. Support efforts at state and national level to develop stronger residential energy codes that save energy and money and take supporting actions such as to adopt building energy benchmarking and disclosure ordinances for non-residential and multi-family buildings within local jurisdiction and residential energy disclosure at point of sale.

Project or Program: Develop a multi-city partnership to build a regional energy efficiency retrofit economy, including tactics such as: collaborating with energy efficiency and green building businesses, partnering with utilities, working with community partners and expanding on existing retrofit programs. Foster opportunities for economic development, job creation, community-based representations, and pro-equity strategies.

Policy Commitment: Support state legislation that advances conversion to clean energy sources in the built environment. Collaborate with stakeholders, including labor and utilities, to develop energy codes that support the transition to highly efficient and low carbon non-residential and multifamily buildings energy codes through the conservation of fossil fuels, use of renewable natural gas, and electrification.



VII. Consumption and Materials Management

Pathway: Achieve a 70% recycling rate countywide; by 2030, achieve zero waste of resources for materials that have economic value for reuse, resale and recycling.

Policy Commitment: Partner through the Metropolitan Solid Waste Management Advisory Committee on policy, projects and programs focused on (1) waste prevention and reuse, (2) product stewardship, recycling, and composting, and (3) beneficial use.

Project or Program: Develop a regional strategy through the adopted 2019 Comprehensive Solid Waste Management Plan to reach zero waste of resources by 2030 through a combination of education, incentives and regulatory tools aimed at single-family, multi-family residents, businesses, and construction projects in King County.



VIII. Forests and Farming

Pathway: Reduce sprawl and associated transportation related GHG emissions and sequester biological carbon by focusing growth in urban centers and protecting and restoring forests and farms.

Policy Commitment: Partner on Transfer of Development Rights (TDR) initiatives to focus development within the Urban Growth Area, reduce development pressure on rural lands, and protect our most valuable and important resource lands as part of the Land Conservation Initiative.

Project or Program: Protect and restore the health of urban and community trees and forests. Collaborate on the development and implementation of goals and strategies that improve urban tree canopy, forest health and carbon sequestration informed by the King County Land Conservation Initiative and the countywide 30-year forest plan. Collaborate with private and community efforts such as Forterra's Green Cities Partnerships.

Project or Program: Partner on collaborative efforts to expand forest and farm stewardship and protection, for example through King Conservation District's farm management planning, landowner incentive, and grant programs.

Project or Program: Expand our local food economy, for example by supporting urban and community farming, buying locally produced food, and participating in the Local Food Initiative.



IX. Operations

Pathway: Reduce GHG emissions from operations in support of countywide goals.

Policy Commitment: Develop operational GHG reduction targets that support shared countywide goals and implement actions that reduce each partners' GHG footprint.

Project or Program: Demonstrate commitment and contribute to countywide goals through operational actions to: implement energy efficiency projects and initiatives at existing facilities; measure existing

building performance through EPA's Energy Star or equivalent program; implement high-efficiency street and traffic light replacement projects; construct new buildings to LEED, Living Building Challenge or other high performance standards and infrastructure to equivalent carbon – neutral and sustainability standards; reduce waste and purchase sustainable materials and services; and electrify municipal vehicles.



X. Climate Preparedness

Pathway: Increase community resilience by planning and preparing for the impacts of climate change on K4C communities and the King County region.

Policy commitment: Expand the K4C model for collaboration to include climate preparedness topics and issues.

Project or Program: Identify shared climate impact concerns and related needs and opportunities for addressing those concerns. Engage elected officials and the public on local climate impacts and priorities for action. Consider participating in the Puget Sound Climate Preparedness Collaborative to advance climate preparedness work in the region.



XI. Collaboration

Policy Commitment: Participate in or join the King County-Cities Climate Collaboration (K4C) – focused on efforts to coordinate and enhance local government climate and sustainability efforts – to share case studies, subject matter experts, resources, tools, and to collaborate on grant and funding opportunities.

Project or Program: Engage and lead public - private collaborative action through relationships developed with business, not for profit organizations, other local government agencies and coalitions, and citizen advocacy groups.



Joint Letter of Commitment: Climate Change Actions in King County

Climate change is a paramount challenge of this generation and has far-reaching and fundamental consequences for our economy, environment, public health, and safety.

Across King County and its cities, we are already experiencing the impacts of climate change: warming temperatures, acidifying marine waters, rising seas, decreasing mountain snowpack, and less water in streams during the summer.



These changes have the potential for significant impacts to public and private property, resource based economies like agriculture and forestry, and to residents' health and quality of life.

The decisions we make locally and regionally, such as where our communities will grow and how they will be served by transportation, will set the stage for success or failure in reducing carbon pollution, making sound long-term investments, and ensuring our communities are livable and resilient to climate change impacts.

Current science indicates that to avoid the worst impacts of global warming we need to reduce global greenhouse gas emissions sharply. The King County Growth Management Planning Council – a formal body of elected officials from across King County - voted unanimously on July 23, 2014 to adopt a shared target to reduce countywide sources of greenhouse gas (GHG) emissions, compared to a 2007 baseline, by 25% by 2020, 50% by 2030, and 80% by 2050.

Based on our shared assessment of emissions in King County, and review of potential strategies to reduce emissions, we believe that these targets are ambitious but achievable.

Building on the work of the King County-Cities Climate Collaboration (K4C) - a partnership between the County and cities to coordinate and enhance local government climate and sustainability efforts – more than a dozen cities and the County came together in the first half of 2014 to chart opportunities for joint actions to reduce GHG emissions and accelerate progress towards a clean and sustainable future.

The attached **Principles for Collaboration** and **Joint County-City Climate Commitments** are focused on practical, near-term, collaborative opportunities between cities and King County. These shared commitments build on the significant work that many of our cities and County are already taking. By signing this letter, we pledge our support for the shared vision that these principles and actions represent. Our cities commit to actively pursue those strategies and catalytic actions where our jurisdictions can make the most impact given our size, location, and development patterns.

Through focused, coordinated action, we will maximize the impact of our individual and shared efforts.





Elected Officials of King County and King County Cities

Dow Constantine
King County Executive

Larry Phillips
King County Council Chair

Bruce Bassett
Mayor, City of Mercer Island

Matthew Larson
Mayor, City of Snoqualmie

Shari E. Winstead
Mayor, City of Shoreline

Jim Haggerton
Mayor, City of Tukwila

Edward B. Murray
Mayor, City of Seattle

Denis Law
Mayor, City of Renton

Amy Walen
Mayor, City of Kirkland

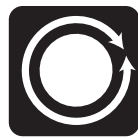
John Marchione
Mayor, City of Redmond

Fred Butler
Mayor, City of Issaquah

Claudia Balducci,
Mayor, City of Bellevue

194 Tim Vance
Mayor, City of Sammamish

Lucy Krakowiak
Mayor, City of Burien



Principles for Collaboration

- 1 Climate change is the paramount challenge of our generation, and has fundamental and far-reaching consequences for our economy, environment, and public health and safety.
- 2 Strong action to reduce GHG emissions is needed, and the time is now.
- 3 Local governments can reduce greenhouse gas (GHG) emissions through many decisions related to transportation and land use, energy and green building, forests and farms, and consumption and materials management.
- 4 Many cities in King County have set individual climate goals and are taking steps to reduce local GHG emissions, and we need to build on this leadership.
- 5 Local solutions need to be implemented in ways that build a cleaner, stronger and more resilient regional economy.
- 6 Progress will require deeper engagement with communities of color and low income, immigrant, and youth populations. These communities can be more vulnerable to the impacts of climate change—from increasing flood risks to rising costs of fossil fuels – and historically less likely to be included in community-scale solutions or as leaders. We are committed to work in ways that are fair, equitable, empowering, and inclusive and that also ensure that low income residents do not bear unfair costs of solutions.
- 7 Federal and state policies and laws can help us achieve our goals, but countywide and local policy, programs and partnerships are needed to fill the existing gap to achieve local GHG targets.
- 8 Progress will require deep partnerships between the County, cities, utilities, businesses, nonprofit organizations, and other public sector agencies.
- 9 King County and nine cities have formed the King County-Cities Climate Collaboration (K4C), and we will work to build on this initial pledge, both in increased action and increased participation from additional cities.
- 10 We can accomplish more with a shared vision and coordinated action; collaboration will increase the efficiency of our efforts and magnify the impact of our strategies beyond what each of us could achieve on our own.
- 11 Our cities support the shared vision that the Joint County-City Climate Commitments represent, but it is not the intention that each city will pursue every catalytic action. Cities and King County will actively pursue strategies where they have the most impact and influence.
- 12 We will reconvene at least annually to share progress. We also dedicate a staff point person from our cities and from the County to help coordinate implementation of the following Joint County-City Climate Commitments, and to serve as a point person to the K4C.



Joint County-City Climate Commitments ●○○○



I. Shared Goals

Pathway: Adopt science-based countywide GHG reduction targets that help ensure the region is doing its part to confront climate change.

Catalytic Policy Commitment: Collaborate through the Growth Management Planning Council, Sound Cities Association, and other partners to adopt countywide GHG emissions reduction targets, including mid-term milestones needed to support long-term reduction goals.

Catalytic Project or Program: Build on King County's commitment to measure and report on countywide GHG emissions by sharing this data between cities and partners, establishing a public facing dashboard for tracking progress, and using the information to inform regional climate action.



II. Climate Policy

Pathway: Support strong federal, regional, state, countywide and local climate policy.

Catalytic Policy Commitment: Advocate for comprehensive federal, regional and state science-based limits and a market-based price on carbon pollution and other greenhouse gas (GHG) emissions. A portion of revenue from these policies should support local GHG reduction efforts that align with these Joint County-City Climate Commitments, such as funding for transit service, energy efficiency projects, and forest protection and restoration initiatives.



III. Transportation and Land Use

Pathway: For passenger vehicles and light trucks, reduce vehicle miles traveled by 20% below 2012 levels by 2030 and GHG emissions intensity of fuels by 15% below 2012 levels by 2030.

Catalytic Policy Commitment: Partner to secure state authority for funding to sustain and grow transit service in King County.

Catalytic Policy Commitment: Reduce climate pollution, build our renewable energy economy, and lessen our dependence on imported fossil fuels, by supporting the adoption of a statewide low carbon fuel standard that gradually lowers pollution from transportation fuels.

Catalytic Policy Commitment: Focus new development in vibrant centers that locate jobs, affordable housing, and services close to transit, bike and pedestrian options so more people have faster, convenient and low GHG emissions ways to travel.

Catalytic Project or Program: As practical, for King County and cities developing transit oriented communities around high capacity light rail and transit projects, adopt the Puget Sound Regional Council's Growing Transit Communities Compact. For smaller cities, participate in programs promoting proven alternative technology solutions such as vehicle electrification, as well as joint carpool and vanpool promotional campaigns.



Joint County-City Climate Commitments ○●○○



IV. Energy Supply

Pathway: Increase countywide renewable electricity use 20% beyond 2012 levels by 2030; phase out coal-fired electricity sources by 2025; limit construction of new natural gas based electricity power plants; support development of increasing amounts of renewable energy sources.

Catalytic Policy Commitment: Build on existing state renewable energy commitments including the Washington State Renewable Portfolio Standard (RPS) to partner with local utilities, state regulators and other stakeholders on a countywide commitment to renewable energy resources, including meeting energy demand through energy efficiency improvements and phasing out fossil fuels.

Catalytic Project or Program: In partnership with utilities, develop a package of county and city commitments that support increasingly renewable energy sources, in areas such as community solar, green power community challenges, streamlined local renewable energy installation permitting, district energy, and renewable energy incentives.



V. Green Building and Energy Efficiency

Pathway: Reduce energy use in all existing buildings 25% below 2012 levels by 2030; achieve net-zero GHG emissions in new buildings by 2030.

Catalytic Policy Commitment: Join the Regional Code Collaboration and work to adopt code pathways that build on the Washington State Energy Code, leading the way to “net-zero carbon” buildings through innovation in local codes, ordinances, and related partnerships.

Catalytic Project or Program: Develop a multi-city partnership to help build a regional energy efficiency retrofit economy, including tactics such as: collaborating with energy efficiency and green building businesses, partnering with utilities, expanding on existing retrofit programs, adopting local building energy benchmarking and disclosure ordinances, and encouraging voluntary reporting and collaborative initiatives such as the 2030 District framework.



Joint County-City Climate Commitments ○○●○



VI. Consumption and Materials Management:

Pathway: By 2020, achieve a 70% recycling rate countywide; by 2030, achieve zero waste of resources that have economic value for reuse, resale and recycling.

Catalytic Policy Commitment: Partner through the Metropolitan Solid Waste Management Advisory Committee on policy, projects and programs focused on (1) waste prevention and reuse, (2) product stewardship, recycling, and composting, and (3) beneficial use.

Catalytic Project or Program: Develop a regional strategy through the Comprehensive Solid Waste Management Plan process to reach 70% recycling through a combination of education, incentives and regulatory tools aimed at single-family, multi-family residents, businesses, and construction projects in King County.



VII. Forests and Farming

Pathway: Reduce sprawl and associated transportation related GHG emissions and sequester biological carbon by focusing growth in urban centers and protecting and restoring forests and farms.

Catalytic Policy Commitment: Partner on Transfer of Development Rights (TDR) initiatives to focus development within the Urban Growth Area, reduce development pressure on rural lands, and protect our most valuable and important resource lands.

Catalytic Project or Program: Protect and restore the health of urban and community trees and forests, for example through public-private-community efforts such as Forterra's Green Cities Partnerships.

Catalytic Project or Program: Partner on collaborative efforts to expand forest and farm stewardship and protection, for example through King Conservation District's farm management planning, landowner incentive, and grant programs.

Catalytic Project or Program: Expand our local food economy, for example by supporting urban and community farming, buying locally produced food, and participating in the Farm City Roundtable forum.



Joint County-City Climate Commitments ○○○●



VIII. Government Operations

Pathway: Reduce GHG emissions from government operations in support of countywide goals.

Policy Commitment: Develop and adopt near and long-term government operational GHG reduction targets that support countywide goals, and implement actions that reduce each local government's GHG footprint.

Catalytic Project or Program: In support of the Section V. Green Building and Energy Efficiency pathway targets to reduce energy use in existing buildings 25% below 2012 levels by 2030 and achieve net-zero GHG emissions in new buildings by 2030: execute energy efficiency projects and initiatives at existing facilities, measure existing building performance through EPA's Energy Star or equivalent program, implement high-efficiency street and traffic light replacement projects, and construct new buildings to LEED or Living Building Challenge standards and infrastructure to equivalent sustainability standards.



IX. Collaboration

Policy Commitment: Participate in or join the King County-Cities Climate Collaboration (K4C) – focused on efforts to coordinate and enhance city and County climate and sustainability efforts – to share case studies, subject matter experts, resources, tools, and to collaborate on grant and funding opportunities.

Catalytic Project or Program: Engage and lead government-business collaborative action through efforts such as the Eastside Sustainable Business Alliance.

Exhibit 2: ORIGINAL (2014) JOINT CLIMATE COMMITMENTS

**CITY OF MERCER ISLAND
RESOLUTION NO. 1389**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON
PROMOTING A SUSTAINABLE COMMUNITY BY ENCOURAGING
THE REDUCTION IN GREENHOUSE GAS EMISSIONS THROUGH
CITY OPERATIONS AND THROUGH COMMUNITY EDUCATION**

- A. In 2006, the Mercer Island City Council approved a Comprehensive Plan amendment to add the following text to the City's Vision Statement:

Sustainable Community

Mercer Island strives to be a sustainable community: Meeting the needs of the present while preserving the ability of future generations to meet their own needs. We consider the relationship between the decisions we make as a community and their long-term impacts before committing to them. We understand that our strength is dependent on an open decision-making process that takes into account the economic, environmental and social well-being of our community.

- B. In 2006, the Mercer Island City Council adopted a budget policy entitled "Sustainability", directing City staff to "undertake efforts to curtail its consumption of scarce resources including electric energy, water, fossil fuels and land fill space" and set new targets for conservation of such natural resources ("Sustainability Policy").
- C. The U.S. Conference of Mayors adopted resolutions approving the U.S. Mayors Climate Protection Agreement, calling for cities, communities and the federal government to take actions to reduce global warming.
- D. The Mercer Island City Council believes it to be in the best interests of the health and welfare of the Mercer Island community to take the following action.

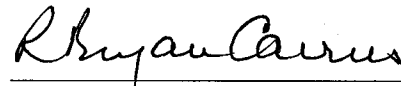
NOW, THEREFORE, BE IT RESOLVED by the Mercer Island City Council as follows:

1. **Sustainability Program.** The City Council will strive to meet its Vision Statement in the Comprehensive Plan and Sustainability Policy by including a Sustainability Work Program in its 5 Year Work Plan. As part of this Sustainability Program, staff will propose various targets to Council to reduce greenhouse gas emissions in City operations and educate the community so citizens will take similar actions. The Sustainability Work Program should include the following, subject to Council separately debating and approving the necessary funds to implement the following actions:

- Create a carbon footprint on City fleet operations and set reduction targets
- Create a City-wide carbon footprint and set reduction targets
- Continue to enforce land use codes that reduce sprawl by encouraging new housing in the Town Center and by creating compact, walkable urban communities in the Town Center.

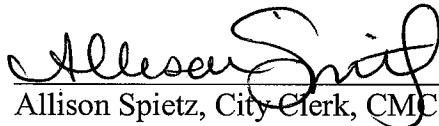
- Promote transportation options such as bicycle trails and commute trip reduction programs.
 - Convert City fleet to hybrid or biofuels to reduce carbon footprint
 - Increase recycling rates in City operations and in the community
 - Maintain healthy urban forests through the city's vegetation management plan
 - Educate City employees and the public about reducing greenhouse gas emissions and global warming
 - Once regulations exist setting maximum carbon level, create carbon banking program allowing the City to sale portions of its green footprint to third parties
2. **Goal.** The City Council will strive to meet or exceed the following greenhouse gas emission reduction target: 80% below current levels by 2050.
3. **Effective Date.** This Resolution shall take effect and be in force upon signing.

ADOPTED by the City Council of the City of Mercer Island, Washington at its Regular Meeting on the 7th day of May, 2007.



R. Bryan Cairns, Mayor

ATTEST:


Allison Spietz, City Clerk, CMC

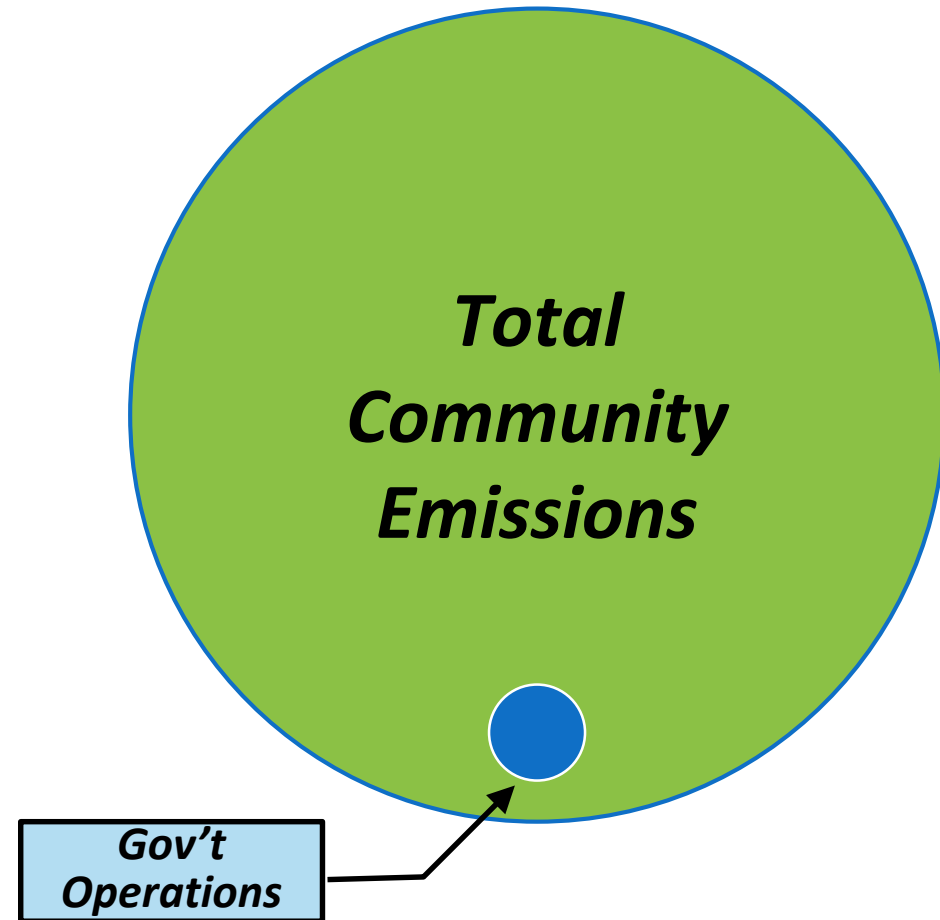
Sustainability Update – K4C Climate Commitments

AB 5623 | November 19, 2019



Why Work Regionally?

- Government operations generate only 1-2% of total community-wide emissions
 - ➔ Need to address the other 98%
- Best done through regional programs and joint initiatives, organized centrally
- Each partner pursues only the GHG actions that make sense for them
- K4C membership is governed by an ILA

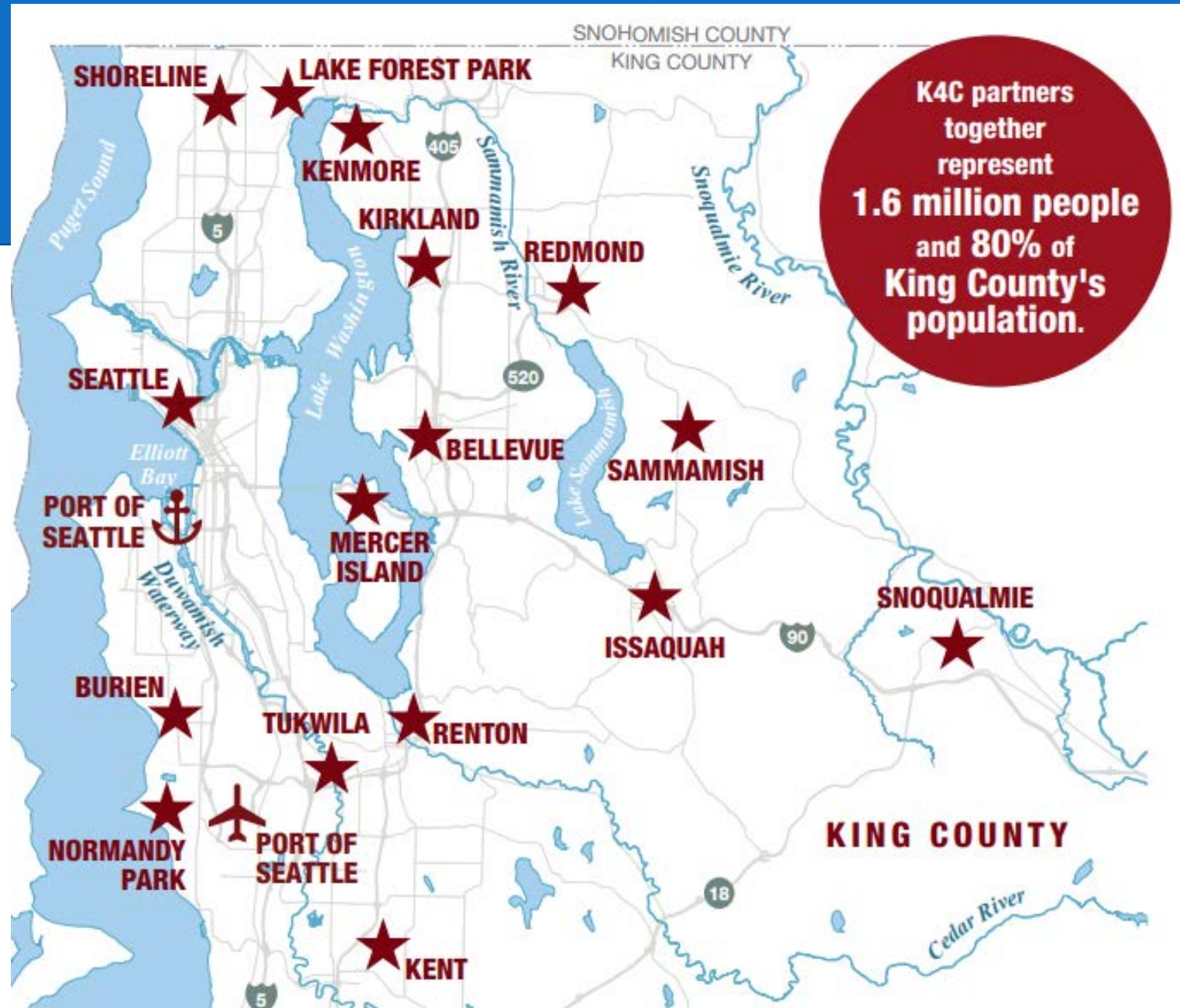


Members

The City of Mercer Island was one of the original founding members of K4C (2011)

Members:

- ✓ King County
- ✓ Port of Seattle
- ✓ 16 Cities



Item 9.

Recent K4C Group Achievements

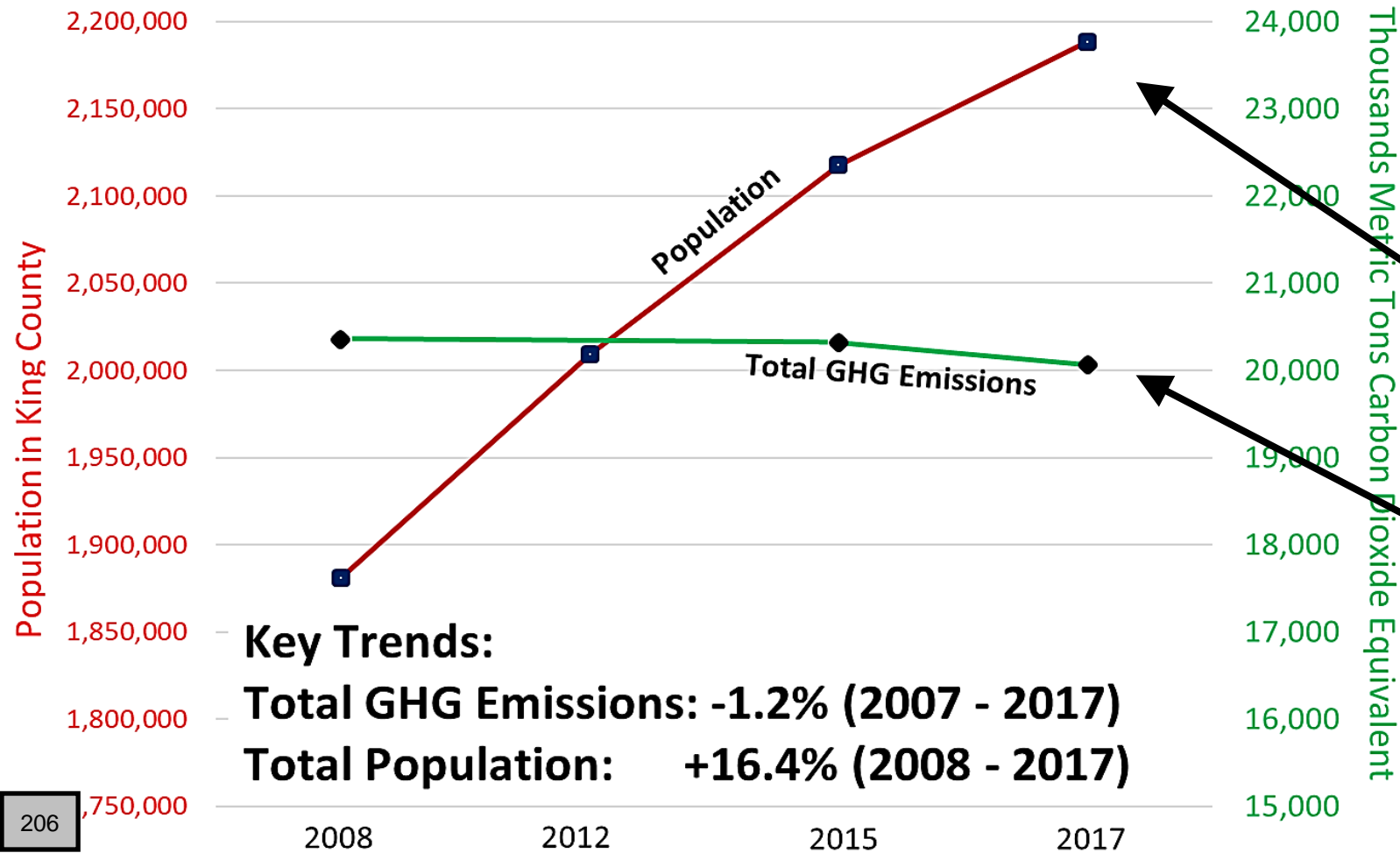
- **ADVOCACY:** Advancement of WA legislation to support clean electricity, appliance & building efficiency, clean fuels & vehicle electrification, and phasing out of hydrofluorocarbons
- **INITIATIVES:** The opportunity to participate in a new 130-Megawatt windfarm in central western WA via PSE's new *Green Direct* program; operational early 2020
- **POLICY:** Extensive support of enhanced commercial & residential energy codes (2018 cycle) to reduce heating & cooling costs for homeowners, and reduce energy use



Where Do We Stand?

Item 9.

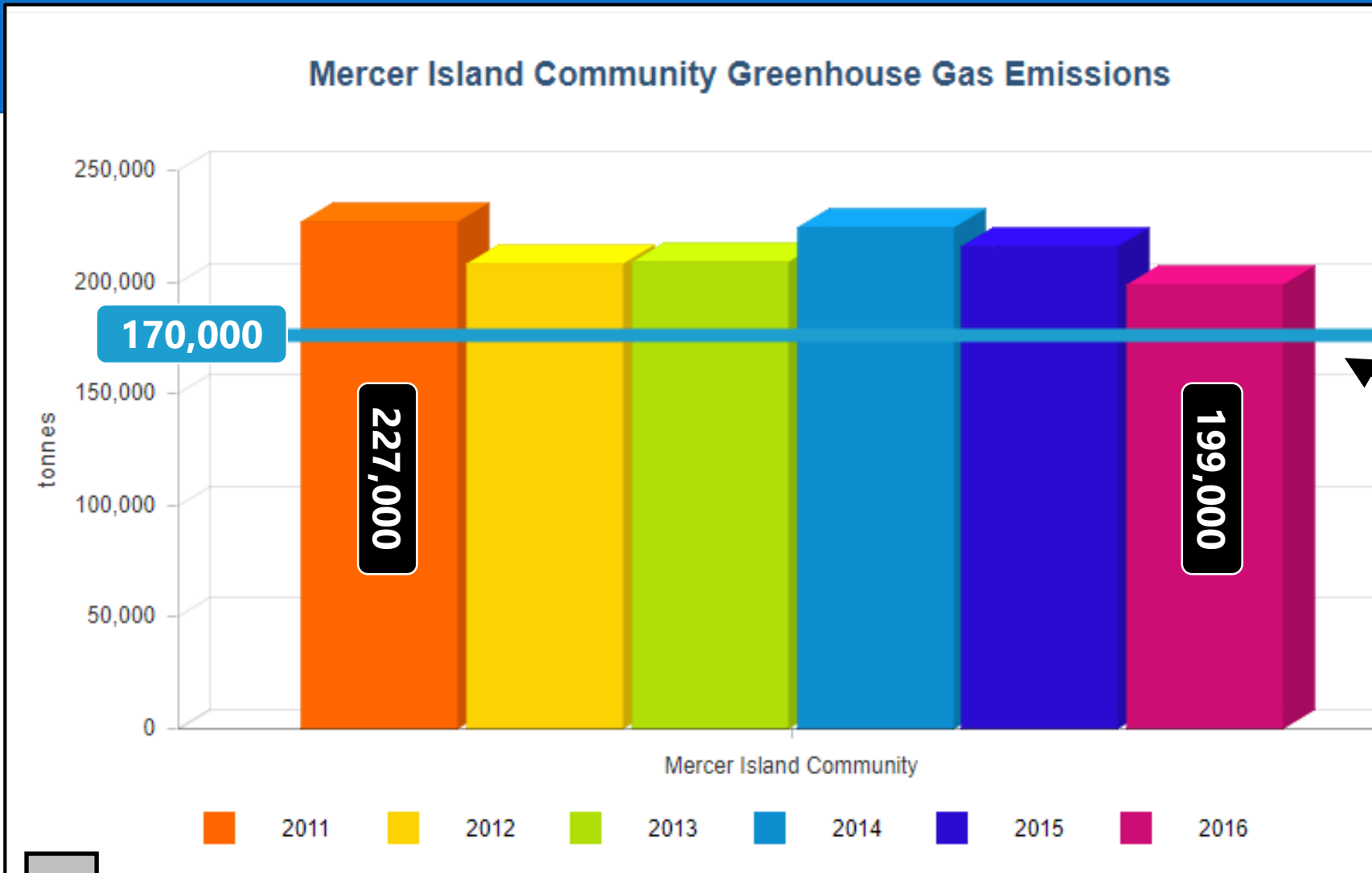
King County GHG Emissions and Population Trends



At the County level, we are seeing a decoupling of economic and population growth from carbon emissions

Where Do We Stand?

Item 9.



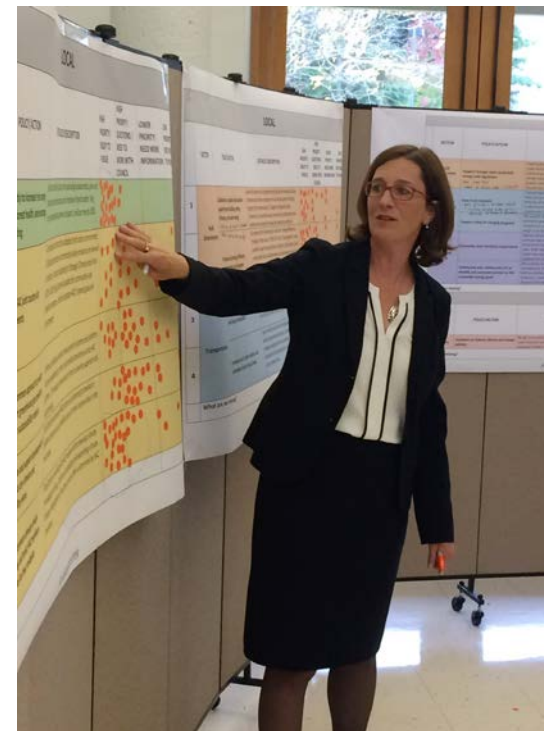
At City MI level, we are beginning to approach our 2020 target (blue line), representing a 25% reduction

Why Update the Joint Commitments?

- Major climate legislation in Olympia
- Ongoing weakening of federal emissions programs
- New technical developments (e.g. EV growth)
- And... Builds on other City or Council GHG work (e.g. Resolution #1389 in 2007; GMPC's 2014 vote on GHG reductions)

➔ The Joint Commitments serve as a blueprint for shared actions, offering a menu of GHG options

➔ By signing on again, the City of MI pledges to continue working diligently on these issues



What's Changed: 2014 vs 2019?

- Emphasizes that not every partner will, or can, pursue every action
- Spells out specific GHG targets (e.g. 50% by 2030 & 80% by 2050)
- Adds new pathway options to reach countywide GHG target
- Stronger language around equity, climate justice, worker transition
- Adds actions relating to reducing use of fossil fuel in buildings
- Adds language about tools that can support implementation of shared commitments
- Adds new sections on: (a) new technology (e.g. electric vehicles); (b) efficient city operations; and (c) the need for climate change preparedness.



Questions

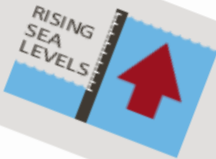
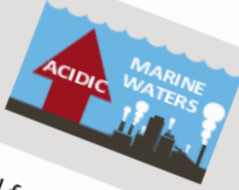
Item 9.

Joint Letter of Commitment: Climate Change Actions in King County

Climate change is a paramount challenge of this generation and has far-reaching and fundamental consequences for our economy, environment, public health, and safety.

Across King County and its cities, we are already experiencing the impacts of climate change: warming temperatures, acidifying marine waters, rising seas, decreasing mountain snowpack, and less water in streams during the summer.

WARMING
TEMPERATURES



These changes have the potential for significant impacts to public and private property, resource based economies like agriculture and forestry, and to residents' health and quality of life.

A RESOLUTION OF THE CITY OF MERCER ISLAND ADOPTING AN UPDATED VERSION OF THE KING COUNTY-CITIES CLIMATE COLLABORATION (K4C) JOINT CLIMATE COMMITMENTS

CITY OF MERCER ISLAND
RESOLUTION NO. 1570

WHEREAS, the King County-Cities Climate Collaboration (K4C), of which the City of Mercer Island is a founding and ongoing member, has developed an updated set of climate commitments addressing shared actions by which to reduce greenhouse gas (GHG) emissions;

May 2007 (by Resolution No. 1389) formally committed
low current levels by 2050, for both the community as a



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND****AB 5632
November 19, 2019
Regular Business****AGENDA BILL INFORMATION**

TITLE:	AB 5632: Public Institution Code Amendment (1 st Reading)	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Set Ordinance No. 19C-19 for second reading and adoption on December 3, 2019 Consent Calendar.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Evan Maxim, Director
COUNCIL LIAISON:	
EXHIBITS:	Ordinance No. 19C-19 with Attachment A
CITY COUNCIL PRIORITY:	2. Prepare for Light Rail and Improve Mobility

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

On August 5, 2019, the Growth Management Hearings Board (GMHB) issued a decision on an appeal of Ordinance No. 18-13 and 18C-14 (Case No. 19-3-0003c). One of the appeal "issues" is related to the Comprehensive plan amendment and rezone of property adjacent to the Tully's Property and known as "Parcel 12 / WSDOT." In particular, the GMHB decision notes that the language in MICC 19.05.010(B) is not consistent with the amendments to the land use map in the Comprehensive Plan and is not consistent with the amended zoning map. The proposed amendment corrects this inconsistency.

Background

Ordinance No. 18-13 and 18C-14 collectively amended the future land use map designation and the zoning map designation for a property located adjacent to the former Tully's property. The property affected was generally referred to as the "Parcel 12 / WSDOT" property and is owned by the City of Mercer Island and the Washington Department of Transportation.

Ordinance No. 18-13 amended the land use map designation of the Parcel 12 / WSDOT property from "Linear Park (I-90)" to "Town Center." Ordinance No. 18C-14 amended the zoning map designation of the property from "Public Institution (PI)" to "Town Center (TC)." The change in map designations is intended to allow the City to develop commuter parking on the Parcel 12 / WSDOT property and the neighboring Tully's property. The TC zoning designation allows the City to engage in an agreement for a public-private development, which

in turn furthers Town Center goals and is intended to result in more commuter parking stalls than could otherwise be built on the combined properties.

The GMHB decision notes that the code language contained in MICC 19.05.010(B) indicates that all of the property within the I-90 Right-of-Way, including areas used as open space and linear greenbelts, is zoned “Public Institution (PI).” This code language is inconsistent with the now revised zoning map and Comprehensive Plan land use map. It is very uncommon for the text of the development regulations to indicate extent of a zoning designation. Commonly zoning designations are established through the adoption of a zoning map, together with code language (MICC 19.01.040) related to the interpretation of the zoning map. Mercer Island has used this approach for all other zoning designations. To eliminate the inconsistency between the code, zoning designation, and the Comprehensive Plan’s land use map, the code amendment will remove the language contained in 19.05.010(B).

Planning Commission Recommendation

The Planning Commission held a public hearing on October 30, 2019 to consider the proposed code amendment. Following the public hearing and a review of the public comments, the Planning Commission has recommended that the City Council adopt the proposed language contained in Exhibit 1, Attachment A.

The Planning Commission discussed the public comment thoroughly, in particular the public comments offered by one of the adjacent property owners in the 7800 Plaza building. The Planning Commission generated the following accompanying recommendation to the City Council:

“The Planning Commission heard public comment during the public hearing. After deliberation, the Planning Commission recommends that the City Council:

- 1. Direct the City to work with the neighbors during the design and project review of any project on the Tully’s / Parcel 12 / WSDOT property.*
- 2. Direct the City to seek a solution that maximizes commuter parking and protects existing park land and open space.*
- 3. Consider whether a further modification to the Public Institution (PI) zone boundary is appropriate to achieve items 1 and 2.”*

RECOMMENDATION

Set Ordinance 19C-19 for second reading and adoption on the December 3, 2019 Consent Calendar.

**CITY OF MERCER ISLAND
ORDINANCE NO. 19C-19**

AN ORDINANCE OF THE CITY OF MERCER ISLAND AMENDING MERCER ISLAND CITY CODE 19.05.010 TO REPEAL SUBSECTION B; PROVIDING FOR SEVERABILITY AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the Mercer Island City Code (MICC) establishes development regulations that are intended to result in the implementation of the Mercer Island Comprehensive Plan pursuant to RCW 36.70A.040; and,

WHEREAS, the Mercer Island City Council adopted Ordinance No. 18-13 on November 20, 2018 amending the land use map designation of a certain City-owned property from “Linear Park / I-90” to “Town Center”; and,

WHEREAS, the Mercer Island City Council adopted Ordinance No. 18C-14 on November 20, 2018 amending the zoning map designation of the same City-owned property from “Public Institution” to “Town Center”; and,

WHEREAS, the Mercer Island City Council expressed the intent with the adoption of Ordinance No. 18C-14 to comply with chapter 36.70A RCW, which requires consistency between the Comprehensive Plan and Mercer Island City Code; and,

WHEREAS, MICC 19.05.010(B) contains a text description of the bounds of the Public Institution zoning designation, which created an inconsistency between the Comprehensive Plan and Mercer Island City Code; and,

WHEREAS, on August 5, 2019, the Growth Management Hearings Board issued a Final Decision and Order (Case No. 19-3-0003c) directing the City to correct the inconsistency between the adopted text contained in MICC 19.05.010(B), the zoning map, and the land use map; and,

WHEREAS, the Mercer Island Planning Commission held a public hearing on October 30, 2019 and considered public comment received prior to the close of the public hearing; and

WHEREAS, the Mercer Island Planning Commission recommended adoption of the proposed code amendment on October 30, 2019; and,

WHEREAS, a SEPA Determination of Non-Significance was issued by the City on October 14, 2019; and,

WHEREAS, the Washington Department of Commerce granted review of the proposed amendments to the development regulations on October 28, 2019;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

Section 1: **Adoption of Amendment to Mercer Island City Code 19.05.010.** Subsection B of MICC 19.05.010 is hereby repealed as set forth in Attachment “A” to this ordinance.

Section 3: **Codification and Effective Date of the Regulations.** The City Council authorizes the Community Planning and Development Director and the City Clerk to correct errors in Attachment A, codify the regulatory provisions of the amendments into Title 19 of the Mercer Island City Code, and publish the amended code.

Section 4: **Interpretation.** The City Council authorizes the Community Planning and Development Director to adopt administrative rules, interpret, and administer the amended code as necessary to implement the legislative intent of the City Council.

Section 5: **Severability.** If any section, sentence, clause or phrase of this ordinance or any municipal code section amended hereby should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause or phrase of this ordinance or the amended code section.

Section 6: **Publication and Effective Date.** A summary of this Ordinance consisting of its title shall be published in the official newspaper of the City. This Ordinance shall take effect and be in full force five days after the date of publication.

PASSED by the City Council of the City of Mercer Island, Washington at its regular meeting on November 19, 2019 and signed in authentication of its passage.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

Approved as to Form:

ATTEST:

Bio Park, Interim City Attorney

Deborah Estrada, City Clerk

Date of Publication: _____

ZTR19-002: Public Institution Code Amendment

October 2, 2019

“Normal Text” is existing code language
 “~~Strikethrough Text~~” is existing code language that will be deleted
 “Underline Text” is new code language that will be added
 “...” indicates that existing code language is omitted and will not be amended

19.05.010 Public institution – PI.

A. *Uses Permitted.*

1. Government services.
2. Public schools under the administration of Mercer Island School District No. 400 subject to the requirements in subsection F of this section. Subsections B, C and E of this section do not apply to public schools. Uses other than public schools located on land owned by the Mercer Island School District shall comply with applicable provisions of Chapter 19.02 MICC.
3. Public park.
4. Transit facilities including transit stops and associated parking lots.
5. On-site hazardous waste treatment and storage facilities are allowed as accessory uses to a use permitted in this zone. These facilities shall comply with the state siting criteria as set forth in Chapter 173-303 WAC.
6. Wireless communications facilities subject to the conditions set out in MICC 19.06.040.

~~B. Mercer Island I-90 Right-of-Way Added to Public Institution Zone. The entire area within the Mercer Island I-90 right-of-way, including, but not limited to, the roadway, street overcrossings, lids, open space, recreation areas, linear greenbelts and the park-and-ride lot area as approved by the city on November 14, 1983, and incorporated in the right-of-way plan approved by WSDOT on May 1, 1987, shall be part of the public institution zone. All uses within the I-90 right-of-way shall be maintained as set forth in city approved I-90 related documents. (Repealed by Ordinance No. 19C-19.)~~

C. Design Requirements. Any development within the public institution zone shall comply with the applicable sections of Chapter 19.11 MICC, Town Center Development and Design Standards.

...

Public Institution Code Amendment

City Council
Public Meeting
October 2, 2019

Tonight

- Background
- Proposed code amendment
- Planning Commission recommendation

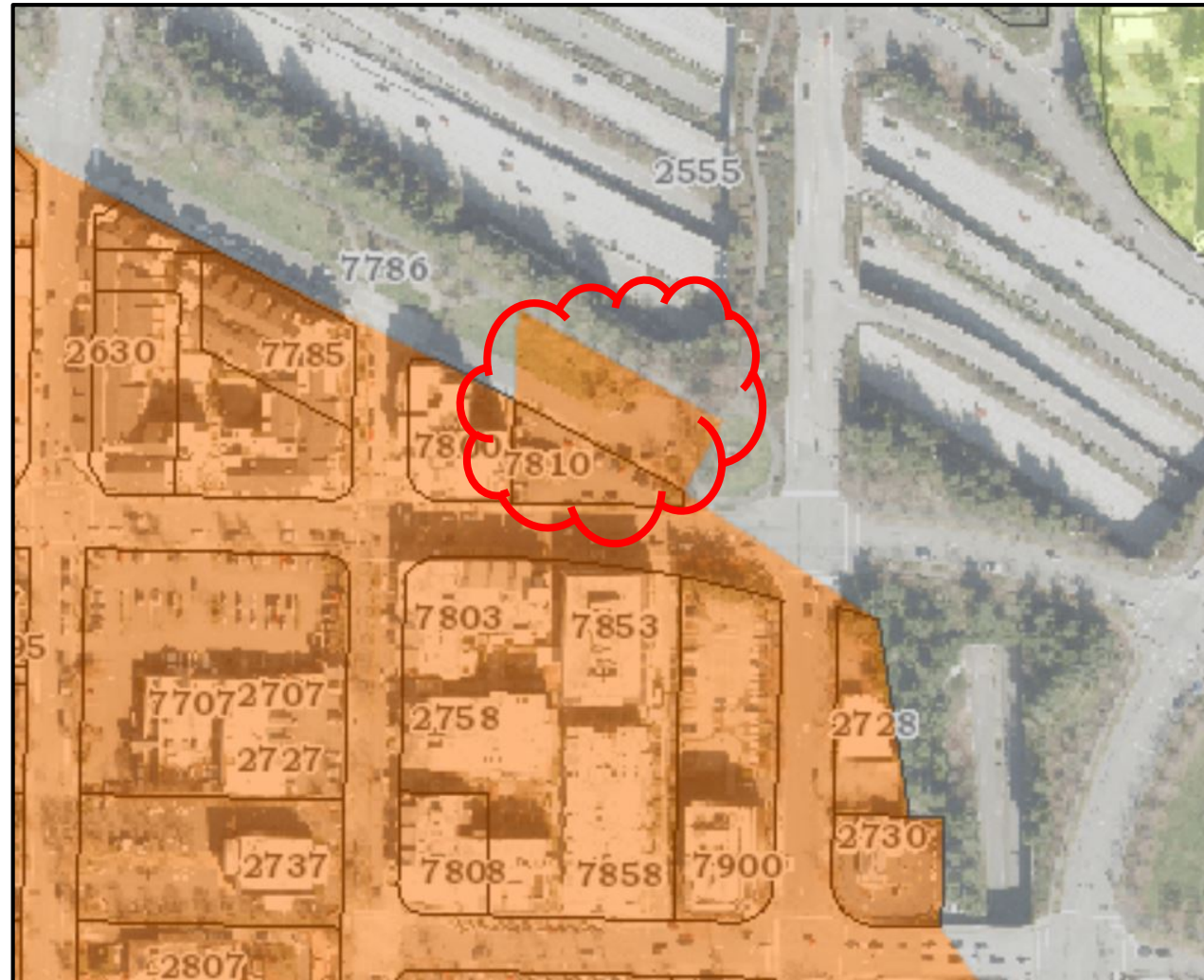


Background

- Parcel 12 / WSDOT property
 - Change to Land Use Map designation and related figures
 - Change to Zoning Map designation
 - Adopted by City Council (Ordinance Nos. 18-13 & 18C-14)
- “Coen III” GMHB – partially related to amendments
 - Amendments were not consistent with code language in MICC 19.05.010(B)
 - GMHB order to resolve the inconsistent language
 - Deadline: January 7, 2020



Parcel 12 / WSDOT



Proposed Code Amendment

- MICC 19.05.010(B) describes extent of Public Institution related to Mercer Island I-90 Right of Way.
- Proposed amendment:
 - Repeal subsection “(B)”
 - Renumber remaining subsections



Planning Commission Recommendation

- Approve the proposed language in Exhibit 1, Attachment A
- Accompanying recommendation as described in packet



Recommended Motion

- Set Ordinance 19C-19 for second reading and adoption on the December 3, 2019 Consent Calendar





**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND****AB 5628
November 19, 2019
Regular Business****AGENDA BILL INFORMATION**

TITLE:	AB 5628: Code of Ethics Revisions (1 st Reading)	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Set Ordinance No. 19C-20 and Resolution No. 1572 to December 3, 2019 for second reading and adoption on the Consent Calendar.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	City Manager
STAFF:	Ali Spietz, Chief of Administration
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Proposed Ordinance No. 19C-20 2. Proposed Resolution No. 1572
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The agenda bill presents proposed amendments to Chapter 2.60 of the Mercer Island City Code to revise the City's Code of Ethics to clarify the process for responding to a complaint, removing references to State law, and adding guidance on the acceptance of gifts, interest in contracts, incompatible service, and disclosure of personal or private interests.

BACKGROUND

In 2018, the City Council adopted a Code of Ethics providing guidance for members of the City Council and the City's boards and commissions, and the City Manager ("Officials") in their roles with the City. The code requires that:

1. Officials comply with the laws and policies affecting the operations of government;
2. Officials be independent, impartial and fair in their judgment and actions;
3. Public office be used for the public good, not for personal gain; and
4. Public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.

The code also includes a Code of Ethics Statement that Officials shall agree to comply with upon taking office or being appointed. This statement was adopted by Resolution No. 1548 and can be updated by the Council when needed. Understanding and acknowledgement of these ethical principles will strengthen the quality of government and provide guidance to Officials in the performance of their official duties.

REVISIONS

The Code of Ethics was adopted a year ago and following the filing of complaints earlier in the year, Council and staff determined a prescriptive process is needed for reviewing, investigating complaints and determining disposition of any violations of the Code of Ethics. The proposed revisions are presented in Exhibit 1 and detailed below.

Staff is recommending **removing references to State laws** pertaining to conflicts of interest, election campaigns, financial disclosures, and open processes of government. They are redundant and create confusion as the City is not the authority to investigate a complaint about these laws.

The addition of the following proposed sections provides guidance for Officials in their capacity when serving the City:

- **Acceptance of gifts** (Section 2.60.030) - Officials shall not receive, accept, take, seek, or solicit, anything of economic value from any person if such Official has reason to believe the donor would not grant or give such gift, but for such Official's office or position within the City of Mercer Island.
- **Interest in contracts prohibited** (Section 2.60.040) – Officials shall not be beneficially interested in any contract which may be made for the benefit of his office, or accept any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein.
- **Incompatible service – confidential information** (Section 2.60.050) –Official shall not engage in any business when such business is incompatible with the with the proper and faithful discharge of official duties.
- **Personal or private interests** (Section 2.60.060) – Officials who have a financial or other private or personal interest in any action shall promptly disclose such interest at the first public meeting when such matter is being considered.

Code of Ethics Statement

MICC 2.60.030 requires the adoption by resolution of a Code of Ethics Statement, which all officials, shall comply with and sign to acknowledge having read and understood its contents. The proposed revisions to chapter 2.60 MICC requires updating the Code of Ethics Statement. A resolution to adopt a revised version of the Statement is attached as Exhibit 2.

The following proposed amendments layout the complaint process, conduct of hearings, City Council action, and the disposition of the violation:

Ethics Officer

The Council has requested additional code language to provide a process when a code of ethics complaint is filed with the City. The proposed amendments create the position of Ethics Officer. The **Ethics Officer is responsible for prompt and fair enforcement of the code of ethics** when necessary and reviewing and recommending edits to the code of ethics and training materials. The Seattle Ethics and Elections Commission serves in this role for the City of Kirkland and has tentatively agreed to do the same for Mercer Island.

Advisory Opinions

The Ethics Officer will provide advisory options concerning the applicability of MICC 2.60.030, 2.60.040, 2.60.050, and 2.60.060 to hypothetical circumstances and/or situations solely related to the persons making the request

Complaint Process

Any person may submit a written complaint to the Ethics Officer, through the City Clerk, alleging one or more violations of this code of ethics by a public official. The ethics officer shall make a determination of sufficiency within thirty days of receipt of the written complaint.

Within 7 days, notice shall be given to the person who made the complaint and the public official complained against, if the complaint is sufficient or not.

If the complaint is sufficient, the Ethics Officer will conduct an investigation. If the Ethics Officer has reason to believe that a material violation of MICC 2.60.030, 2.60.040, 2.60.050, and/or 2.60.060 has occurred, a hearing will be held to determine if a violation has occurred. The public officer complained against shall have the right to file a written answer to the charge and to appear at the hearing with or without legal counsel, submit testimony, be fully heard, and to examine and cross examine witnesses.

Conduct of Hearings

All hearings on complaints found to be sufficient by the ethics officer shall be conducted in public by the Hearing Examiner. The City will contract with someone who has experience in code of ethics violations.

The hearing shall be informal, meaning that the Hearing Examiner shall not be bound by the strict rules of evidence prevailing in courts of law or equity. The Hearing Examiner may call witnesses on his or her own motion and compel the production of books, records, papers, or other evidence as needed. All testimony shall be under oath administered by the hearing examiner. The Hearing Examiner shall prepare an official record of the hearing, including all testimony, which shall be recorded by mechanical device, and exhibits.

Within 30 days, the Hearing Examiner shall issue a final decision with findings of fact, conclusions of law, and recommended disposition.

City Council Action and Disposition

The Council may deliberate the stipulations and recommendations from the Ethics Officer and findings, conclusions, and recommendations from the Hearing Examiner in Executive Session [RCW 42.30.110(1)(f)]; however, the public official complained against cannot participate. The City Council's final action shall be by majority vote in a public meeting. The Council may take any of the following actions:

1. The complaint may be **dismissed** without penalties.
2. A complaint may be **referred to another agency** with jurisdiction over the violation, such as the public disclosure commission. Final action on the complaint may be stayed pending resolution of the matter by the agency to which it was referred.
3. An **admonition** shall be an oral non-public statement made by the mayor, or his/her designee, or if the complaint is against the mayor, the deputy mayor or his/her designee, to the official.

4. A **reprimand** shall be administered to the official by a letter of reprimand by the city council. The letter shall be prepared by the city council and shall be signed by the mayor or, if the complaint is against the mayor, the deputy mayor.
5. A letter of **censure** shall be a letter read personally to the person in public. The letter shall be prepared by the city council and shall be signed by the mayor, or if the complaint is against the mayor, the deputy mayor. The person shall appear at a city council meeting at a time and place directed by the city council to receive the letter of censure.
6. In the event the individual against whom the complaint was made is currently a member of a city **board or commission or other task group or committee**, appointed by the city council, the city council may, in addition to other possible penalties set forth in this section, and notwithstanding any other provision of the Mercer Island City Code, by a majority vote **remove the individual** from such board or commission effective immediately.
7. The city council may assess a **civil penalty** of up to one thousand dollars or three times the economic value of anything received in violation of this code of ethics or three times the economic value of any loss to the city, whichever is greater. Any monetary penalty assessed civilly shall be placed in the City's general fund.
8. As provided by RCW 42.23.050, any contract made in violation of Chapter 42.23 RCW, "Code of ethics for municipal officers— contract interests," is **void**.
9. **Other Penalties.** The city council may impose a restriction, loss of a committee assignment, or loss of appointment as a representative of the city for any regional or multijurisdictional body or membership on any board or commission which requires an appointment or confirmation of an appointment by the city council.

NEXT STEPS

Following direction from the City Council regarding the proposed revisions to the Code of Ethics, staff will bring the final version of the ordinance back for adoption on the Consent Calendar at the December 3 Council meeting. Staff will then work with the Seattle Ethics and Elections Commissions to designate them as the Ethics Officer and with a local lawyer to fill the Hearing Examiner role.

RECOMMENDATION

Set Ordinance No. 19C-20 and Resolution No. 1572 to December 3, 2019 for second reading and adoption on the Consent Calendar.

**CITY OF MERCER ISLAND
ORDINANCE NO. 19C-20**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON
AMENDING CHAPTER 2.60 OF THE MERCER ISLAND CITY CODE TO
REVISE THE CODE OF ETHICS FOR OFFICIALS; PROVIDING FOR
SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, the residents and businesses of Mercer Island are entitled to have fair, ethical and accountable local government that has earned the public's full confidence for integrity; and

WHEREAS, a Code of Ethics strengthens the quality of government through ethical principles that shall govern the conduct of the City's elected and appointed officials; and

WHEREAS, a Code of Ethics for members of the City Council, the City's boards and commissions, Council-appointed task groups or committees, and the City Manager was adopted in 2018 to promote public confidence in the integrity of local government and its fair operation; and

WHEREAS, the proposed amendments to the Code of Ethics provides better guidance for acceptance of gifts, interest in contracts prohibited and exceptions, incompatible service and confidential information, and personal or private interests; and

WHEREAS, the proposed amendments also establish an Ethics Officer provide for annual review of the code of ethics, review of training materials provided for education regarding the code of ethics, and advisory opinions concerning the code of ethics; and

WHEREAS, the proposed amendments provide a better process for complaints, investigations, hearings and enforcement related to violations of the Code of Ethics.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Chapter 2.60 MICC, Code of Ethics, Amended. Chapter 2.60 MICC, Code of Ethics, is hereby amended as follows:

**CHAPTER 2.60
CODE OF ETHICS**

SECTION:

- 2.60.010 Policy
- 2.60.020 Definitions ~~Compliance with laws~~
- 2.60.030 Acceptance of gifts ~~Code of Ethics Statement~~
- 2.60.040 Interest in Contracts Prohibited - Exceptions ~~Complaints~~
- 2.60.050 Incompatible Service – Confidential Information

2.60.060 Personal or Private Interests

2.60.070 Code of Ethics Statement

2.60.080 Ethics Officer

2.60.090 Advisory Opinions

2.60.100 Complaints, investigations, hearings and enforcement

2.60.010 Policy

A. Purpose. The purpose of the city of Mercer Island code of ethics is to strengthen the quality of government through ethical principles which shall govern the conduct of members of the city council, the city's boards and commissions, council-appointed task groups or committees, and the city manager.

B. Intent. The citizens and businesses of Mercer Island are entitled to have fair, ethical and accountable local government that has earned the public's full confidence. In keeping with the city of Mercer Island's commitment to excellence, the effective functioning of democratic government therefore requires that:

1. Officials comply with the laws and policies affecting the operations of government;
2. Officials be independent, impartial and fair in their judgment and actions;
3. Public office be used for the public good, not for personal gain; and
4. Public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.

~~C. "Official" as used in this chapter means all members of the city council, the city's boards and commissions, other council-appointed task groups or committees, and the city manager.~~

2.60.020 Definitions

For the purpose of this Chapter:

COMPENSATION means anything of economic value, however designated, which is paid, loaned, advanced, granted, transferred, or to be paid, loaned, advanced, granted or transferred for or in consideration of personal services to any person.

CONTRACT means includes any contract or agreement, sale, lease, purchase, or any combination of the foregoing.

CONTRACTING PARTY means any person, partnership, association, cooperative, corporation, whether for profit or otherwise or other business entity which is a party to a contract with a municipality.

OFFICIAL or PUBLIC OFFICIAL means all members of the city council, the city's boards and commissions, other council-appointed task groups or committees, and the city manager of the city of Mercer Island.

~~2.60.020 Compliance with laws.~~

~~Officials shall comply with federal, state and city laws in the performance of their public duties. These laws include but are not limited to: the United States and Washington State Constitutions; laws pertaining to conflicts of interest, election campaigns, financial disclosures and open processes of government; and city ordinances and policies, including those listed below, as now enacted or hereafter amended:~~

~~Ch. 9A.72 RCW Perjury and interference with official proceedings~~

~~RCW 35A.13.020 Election of councilmembers—Eligibility—Terms—Vacancies—Forfeiture of office—Council chair~~

~~RCW 35A.13.050 City manager—Qualifications~~

~~Ch. 40.14 RCW Preservation and destruction of public records~~

~~RCW 42.17A.555 Use of public office or agency facilities in campaigns—Prohibition—Exceptions~~

~~RCW 42.17A.565 Solicitation of contributions by public officials or employees~~

~~Ch. 42.23 RCW Code of ethics for municipal officers—Contract interests~~

~~Ch. 42.36 RCW Appearance of fairness doctrine—Limitations~~

~~Ch. 42.56 RCW Public Records Act~~

2.60.030 Acceptance of Gifts

No public official shall receive, accept, take, seek, or solicit, whether directly or indirectly, anything of economic value as a gift, gratuity, or favor, from any person if such public official has reason to believe the donor would not grant or give such gift, gratuity, or favor, but for such public official's office or position within the city of Mercer Island.

No public official shall receive, accept, take, seek, or solicit, whether directly or indirectly, anything of economic value as a gift, gratuity, or favor, from any person or from any officer or director of such person if such public official has reason to believe such person:

A. Has, or is seeking to obtain contractual or other business or financial relationship with the city of Mercer Island; or

B. Conducts operations or activities which are regulated by the city council, its committees or any board or commission of the city of Mercer Island; or

C. Has interests which may be substantially affected by such public official's performance or nonperformance of their official duty.

2.60.040 Complaints.**A. ~~Complaints regarding:~~**

- ~~1. Any official, except for the mayor or the city manager, shall be brought to the mayor, city manager and city attorney.~~
- ~~2. The mayor shall be brought to the deputy mayor, city manager, and city attorney.~~
- ~~3. The city manager shall be brought to the mayor, deputy mayor, and city attorney.~~

~~B. The mayor or deputy mayor, city manager and the city attorney shall cause the complaint to be investigated and shall make a recommendation to the city council as to the appropriate resolution of the complaint based on the findings and conclusions of the investigation.~~

~~C. If a complaint is filed against the mayor, deputy mayor, or city manager, that individual will not direct activities of the investigation.~~

2.60.040 Interest in Contracts Prohibited - Exceptions

No public official shall be beneficially interested, directly or indirectly, in any contract which may be made by, through, or under the supervision or direction of such public official, in whole or in substantial part, or which may be made for the benefit of his office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein. The foregoing shall not apply to the exceptions specified in RCW 42.23.030 which are incorporated herein as if fully set forth. Remote Interest: A public official shall not be deemed to be interested in a contract as specified in this Section if they have only a remote interest in the contract and if the fact and extent of such interest is disclosed to the governing body of the city of Mercer Island of which they are a member and noted in the official minutes or similar records of the city prior to the consummation of the contract, and thereafter the governing body authorizes, approves or ratifies the contract in good faith by a vote of its membership sufficient for the purpose without counting the vote or votes of the public official having a remote interest therein.

As used in this Section "remote interest" means:

- A. That of a non-salaried officer of a nonprofit corporation;
- B. That of an employee or agent of contracting party where the compensation of such employee or agent consists entirely of fixed wages or salary;
- C. That of the landlord or tenant of a contracting party;
- D. That of a holder of less than one percent (1%) of the shares of a corporation or cooperative which is a contracting party.

None of the provisions of this Section shall be applicable to any public official interested in a contract, though their interest be only remote as hereinabove defined, who influences or attempts to influence, any other public official of the city of which they are an officer to enter into such contract.

Any contract made in violation of the above provisions shall be void and as otherwise provided in RCW 42.23.050 and the provisions thereof being expressly incorporated herein as if fully set forth.

2.60.050 Incompatible Service – Confidential Information

No public official shall engage in or accept private employment or render services for any person or engage in any business or professional activity when such employment, service or activity is incompatible with the proper and faithful discharge of their official duties as such official, or when it would require or induce them to disclose confidential information acquired by them by reason of their official position. No such official shall disclose confidential information gained by reason of their official position, nor shall they otherwise use such information for their personal gain or benefit.

2.60.060 Personal or Private Interests

Every public official who has a direct financial or other private or personal interest in any ordinance, resolution, contract, proceeding, or other action pending before the city council, or boards or commissions on which they are serving, shall promptly disclose such interest at the first publicly available opportunity when such matter is being considered by the city council, or board or commission as applicable. The disclosure, including the nature and extent of such personal or private interest shall be incorporated in the official minutes of the public proceedings.

Any such public official who is disqualified by reason of such personal, private or similar conflict of interest in any matter as hereinabove defined, shall, after having made the required disclosure as herein set forth, remove themselves from their customary seat during such debate and, by permission of the presiding officer, leave the meeting until such time as the matter at hand, from which such public official has been disqualified, has been disposed of in the regular course of business.

2.60.0370 Code of ethics statement.

A. The city council shall adopt a code of ethics statement regarding conduct for officials. The statement shall be set by resolution by the city council, from time to time, and shall be on file with the city clerk.

B. All officials, upon taking office or being appointed, shall comply with and sign the code of ethics statement acknowledging having read and understood the contents thereof.

2.60.080 Ethics Officer.

A. The city council creates the position of ethics officer. The city manager will contract with one or more agencies to fill this position. The ethics officer shall also be responsible for the prompt and fair enforcement of this code of ethics when necessary.

B. The ethics officer, in addition to other duties, may recommend changes or additions to this code of ethics to the city council. The ethics officer shall provide input into and review the training materials and program developed for this code of ethics.

2.60.090 Advisory Opinions.

A. Upon request of a public official, the ethics officer shall render written advisory opinions concerning the applicability of MICC 2.60.030, 2.60.040, 2.60.050, and 2.60.060 to hypothetical circumstances and/or situations solely related to the persons making the request. The ethics officer will not render opinions on matters that are the purview of other government agencies or officials, e.g., the public disclosure commission, the city public records officer, etc.

B. The ethics officer will endeavor to respond to requests for advisory opinions within forty-five days of submission of the request, or more rapidly if the requester expresses urgency in the request.

C. A public official's conduct based in reasonable reliance on an advisory opinion rendered by the ethics officer shall not be found to violate this code of ethics (and only this code of ethics), as long as all material facts have been fully, completely, accurately presented in a written request for an advisory opinion, the ethics officer issues an advisory opinion that the described conduct would not violate the code of ethics, and the public official's conduct is consistent with the advisory opinion. The ethics officer reserves the right to reconsider the questions and issues raised in an advisory opinion and, where the public interest requires, rescind, modify, or terminate the opinion, but a modified or terminated advisory opinion will not form the basis of a retroactive enforcement action against the original requestor. Advisory opinions will contain severability clauses indicating that should portions of the opinion be found to be unenforceable or not within the ethics officer's authority, the remainder of the opinion shall remain intact.

2.60.100 Complaints, investigations, hearings and enforcement.

A. Complaint Process.

1. Complaint Requirements—Service. Any person may submit a written complaint to the ethics officer alleging one or more violations of this code of ethics by a public official. The complaint must set forth specific facts with enough precision and detail for the ethics officer to make a determination of sufficiency. It must be signed under penalty of perjury by the person(s) submitting it in a manner consistent with Chapter 9A.72 RCW.

2. Finding of Sufficiency. The ethics officer shall make a determination of sufficiency within thirty days of receipt of the written complaint. A complaint shall be sufficient if the allegations, if established, would violate MICC 2.60.030, 2.60.040, 2.60.050, and/or 2.60.060. The ethics officer's determination is not reviewable. If the finding is one of sufficiency of the complaint, then the ethics officer shall investigate the complaint as set forth below. A finding by the ethics officer determining that a complaint is sufficient shall contain at the beginning the following specific language:

NOTICE: ANY PORTION OF THIS FINDING DETERMINING SUFFICIENCY OF ANY PORTION OF A COMPLAINT DOES NOT DETERMINE THE TRUTH OR FALSITY OF THE ALLEGATIONS CONTAINED IN THE COMPLAINT FILED WITH THE ETHICS OFFICER. THE ETHICS OFFICER HAS ONLY DETERMINED THAT IF CERTAIN FACTS CONTAINED IN THE COMPLAINT ARE FOUND TO BE TRUE DURING A LATER HEARING TO BE CONDUCTED BY THE HEARING EXAMINER, THEN VIOLATION(S) OF THE CODE OF ETHICS MAY BE FOUND TO HAVE OCCURRED.

3. Dismissal. The ethics officer shall dismiss the complaint if the ethics officer determines that the violation was inadvertent; or a violation occurred, but appropriate actions have been taken to fully address the allegedly unethical conduct.

4. Notice. Notice of action by the ethics officer shall be provided as follows:

a. Within seven days of the ethics officer rendering a finding of insufficiency or dismissal of a complaint, the city clerk shall send notice to the person who made the complaint and the public official complained against, of the ethics officer's determination. A finding of insufficiency or dismissal of a complaint by the ethics officer is final, and no appeal is available through the ethics officer or the City.

b. Within seven days of the ethics officer rendering a finding of sufficiency, the city clerk shall send notice to the person who made the complaint and the public official complained against, of the ethics officer's determination. If, after investigation, the ethics officer has reason to believe that a material violation of MICC 2.60.030, 2.60.040, 2.60.050, and/or 2.60.060 has occurred, the city clerk shall give notice of the public hearing which will be held to determine if a violation has occurred. Notice shall be provided at least thirty days prior to the date set for the hearing. The public official complained against shall have the right to file a written answer to the charge and to appear at the hearing with or without legal counsel, submit testimony, be fully heard, and to examine and cross examine witnesses.

5. Stipulations. At any time after a complaint has been filed with the ethics officer, the ethics officer may seek and make recommendations that the city council enter into a stipulation with the public official complained against. The recommended stipulation will include the nature of the complaint, relevant facts, the reasons the ethics officer thinks a stipulation is appropriate, an admission of the violation by the public official complained against, a promise by the public official complained against not to repeat the violation,

and if appropriate, a recommended remedy or penalty. The recommended stipulation shall be sent to the person who made the complaint and the public official complained against and forwarded to the city council for action.

B. Conduct of Hearings.

1. All hearings on complaints found to be sufficient by the ethics officer shall be conducted by the hearing examiner. The hearing shall be informal, meaning that the hearing examiner shall not be bound by the strict rules of evidence prevailing in courts of law or equity. The hearing examiner may call witnesses on his or her own motion and compel the production of books, records, papers, or other evidence as needed. To that end, the hearing examiner shall issue subpoenas and subpoenas duces tecum. All testimony shall be under oath administered by the hearing examiner. The hearing examiner may adjourn the hearing from time to time to allow for the orderly presentation of evidence. The hearing examiner shall prepare an official record of the hearing, including all testimony, which shall be recorded by mechanical device, and exhibits; provided, that the hearing examiner shall not be required to transcribe such records unless presented with a request accompanied by payment of the cost of transcription.

2. Within thirty days after the conclusion of the hearing, the hearing examiner shall, based upon a preponderance of the evidence, issue a final decision with findings of fact, conclusions of law, and recommended disposition. A copy of the findings, conclusions, and recommended disposition shall be sent to the person who made the complaint and to the public official complained against. Additional copies of the findings, conclusions, and recommendations shall be forwarded to the ethics officer and city council.

C. City Council Action. Final city council action to decide upon stipulations and recommendations from the ethics officer and findings, conclusions, and recommendations from the hearing examiner shall be by majority vote in a public meeting. However, deliberations by the council may be in executive session pursuant to RCW 42.30.110(1)(f). The member of the council against whom the complaint was made will not participate in any executive session and shall not vote on any matter involving themselves.

D. Disposition. In the event the hearing examiner finds that the person against whom the complaint was made has violated the code of ethics, then the city council may take any of the following actions by a majority vote of the council. The action of the city council shall be final and not subject to further review or appeal except as may be otherwise provided by law or as provided below in subsection (E).

1. Dismissal. Dismissal of the complaint without penalties.

2. Referral. A complaint may be referred to another agency with jurisdiction over the violation, such as the public disclosure commission. Final action on the complaint may be stayed pending resolution of the matter by the agency to which it was referred.

3. Admonition. An admonition shall be an oral non-public statement made by the mayor, or his/her designee, or if the complaint is against the mayor, the deputy mayor or his/her designee, to the public official.

4. Reprimand. A reprimand shall be administered to the public official by a letter of reprimand by the city council. The letter shall be prepared by the city council and shall be signed by the mayor or, if the complaint is against the mayor, the deputy mayor.

5. Censure. A letter of censure shall be a letter read to the public official in public. The letter shall be prepared by the city council and shall be signed by the mayor, or if the complaint is against the mayor, the deputy mayor. The public official shall appear at a city council meeting at a time and place directed by the city council to receive the letter of censure. Notice shall be given at least twenty calendar days before the scheduled appearance at which time a copy of the proposed letter of censure shall be provided to the public official. The letter of censure shall be read publicly, and the public official shall not make any statement in support of, or in opposition thereto, or in mitigation thereof. The letter of censure shall be read at the time it is scheduled whether or not the public official appears as required.

6. Removal—Member of Board or Commission or Other Appointed Task Group or Committee. In the event the public official against whom the complaint was made is currently a member of a city board or commission or other task group or committee, appointed by the city council, the city council may, in addition to other possible penalties set forth in this section, and notwithstanding any other provision of the Mercer Island City Code, by a majority vote remove the public official from such board or commission effective immediately.

7. Civil Penalties. In addition to taking any actions above, the city council may also assess a civil penalty of up to one thousand dollars or to the extent that it can be reasonably determined. Any monetary penalty assessed civilly shall be placed in the city's general fund.

8. Contract Void. As provided by RCW 42.23.050, any contract made in violation of Chapter 42.23 RCW, "Code of ethics for municipal officers— contract interests," is void.

9. Other Penalties. In addition to taking any actions above, the city council may also impose restrictions or loss of a committee assignments, or loss of appointment as a representative of the city for any regional or multijurisdictional body, or membership on any board or commission which requires an appointment or confirmation of an appointment by the city council.

E. Review of Civil Penalty Amount. If the city council orders an official to pay a civil penalty, the official may seek a reconsideration from the city council of the amount assessed within thirty days of the city council's order.

F. Protection Against Retaliation. Neither the city nor any official may take or threaten to take, directly or indirectly, official or personal action, including but not limited to discharge, discipline, personal attack, harassment, intimidation, or change in job, salary, or responsibilities, against any person because that person files a complaint with the ethics officer.

G. Liberal Construction—Limitation Period

1. This code of ethics shall be liberally construed to effectuate its purpose and policy and to supplement existing laws that relate to the same subject.

2. Any action taken under this code of ethics must be commenced within three years from the date of violation.

Section 2. Severability. If any section, sentence, clause or phrase of this ordinance is held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality does not affect the validity of any other section, sentence, clause or phrase of this ordinance.

Section 3. Corrections. The City Clerk and the codifiers of this ordinance are authorized to make necessary clerical corrections to this ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 4. Effective Date. This ordinance shall take effect and be in force 30 days after its passage and publication.

PASSED by the City Council of the City of Mercer Island, Washington at its regular meeting on the 3rd day of December 2019 and signed in authentication of its passage.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

Approved as to Form:

ATTEST:

Bio Park, Interim City Attorney

Deborah A. Estrada, City Clerk

Date of Publication: _____

**CITY OF MERCER ISLAND
RESOLUTION NO. 1572**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON TO
REVISE THE CODE OF ETHICS STATEMENT FOR MEMBERS OF THE CITY
COUNCIL, THE CITY'S BOARDS AND COMMISSIONS AND THE CITY
MANAGER**

WHEREAS, the residents and businesses of Mercer Island are entitled to have fair, ethical and accountable local government that has earned the public's full confidence for integrity; and

WHEREAS, a Code of Ethics for members of the City Council, the City's boards and commissions, Council-appointed task groups or committees, and the City Manager promotes public confidence in the integrity of local government and fair operation; and

WHEREAS, the Code of Ethics adopted by the City Council is codified in chapter 2.60 MICC; and

WHEREAS, MICC 2.60.030 requires the adoption by resolution of a Code of Ethics Statement, which all officials, as the term is defined in MICC 2.60.010(C), shall comply with and sign to acknowledge having read and understood its contents; and

WHEREAS, the Code of Ethics Statement requires revisions pursuant to amendments to chapter 2.60 MICC as adopted in Ordinance No. 19C-20;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AS FOLLOWS:

The City Council hereby adopts a revised Code of Ethics Statement in substantially the form as the attached Exhibit A, which all officials, as defined in MICC 2.60.010(C), shall comply with and sign to acknowledge having read and understood its contents upon taking office pursuant to MICC 2.60.030.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS REGULAR MEETING ON THE 3RD DAY OF DECEMBER 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk



Code of Ethics

The purpose of the City of Mercer Island Code of Ethics is to strengthen the quality of government through ethical principles which shall govern the conduct of members of the City Council, the City's boards and commissions, Council-appointed task groups and committees, and the City Manager ("officials") who shall:

Be dedicated to the concepts of effective and democratic local government.

Democratic Leadership: Officials shall honor and respect the principles and spirit of representative democracy and set a positive example of good citizenship by scrupulously observing the letter and spirit of laws, rules and regulations.

Affirm the dignity and worth of the services rendered by government and maintain a deep sense of social responsibility as a trusted public servant.

Be dedicated to the highest ideals of honor and integrity in all public and personal relationships.

Public Confidence: Officials shall conduct themselves to maintain public confidence in city government and in the performance of the public trust.

Impression of Influence: Officials shall conduct their official and personal affairs in such a manner as to give the clear impression that they cannot be improperly influenced in the performance of their official duties.

Recognize that the chief function of local government always is to serve the best interests of all the people.

Public Interest: Officials shall treat their position or office as a public trust, only using the power and resources of public office to advance public interests, and not to attain personal benefit or pursue any other private interest incompatible with the public good.

Keep the community informed on municipal affairs; encourage communication between the citizens and all municipal officers; emphasize respectful and courteous service to the public; and seek to improve the quality and image of public service.

Accountability: Officials shall ensure that government is conducted openly, efficiently, equitably and honorably in a manner that permits the citizenry to make informed judgments and hold city Officials accountable.

Respectability: Officials shall safeguard public confidence in the integrity of city government by being honest, fair, caring and respectful and by avoiding conduct creating the appearance of impropriety.

Seek no favor; believe that personal benefit or profit secured by confidential information or by misuse of public time is dishonest.

Acceptance of Gifts (MICC 2.60.030): *Officials shall not receive, accept, take, seek, or solicit, anything of economic value from any person if such Official has reason to believe the donor would not grant or give such gift, but for such Official's office or position within the City of Mercer Island.*

Interest in Contracts Prohibited (MICC 2.60.040): *Officials shall not be beneficially interested in any contract which may be made for the benefit of his office, or accept any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein.*

Incompatible Service – Confidential Information (MICC 2.60.050): *Officials shall not engage in any business when such business is incompatible with the with the proper and faithful discharge of official duties.*

Personal or Private Interests (MICC 2.60.060): *Officials who have a financial or other private or personal interest in any action shall promptly disclose such interest at the first public meeting when such matter is being considered.*

Business Interests: *Officials shall have no beneficial interest in any contract which may be made by, through or under his or her supervision, or for the benefit of his or her position or office, or accept directly or indirectly, any compensation, gratuity or reward in connection with such contract unless allowed under State law.*

Private Employment: *Officials shall not engage in, solicit, negotiate for, or promise to accept private employment or render services for private interests or conduct a private business when such employment, service or business creates a conflict with or impairs the proper discharge of their official duties.*

Confidential Information: *Officials shall not disclose to others, or use to further their personal interest, confidential information acquired by them during their official duties.*

Gifts: *Officials shall not directly or indirectly solicit, accept, or receive any gift whether it be money, services, loan, travel, entertainment, hospitality, promise, or any other form—under the following circumstances: (a) it could be reasonably inferred or expected that the gift was intended to influence the performance of official duties; or (b) the gift was intended to serve as a reward for any official action on the official's part.*

Investments in Conflict with Official Duties: *Officials shall not invest or hold any investment, directly or indirectly, in any financial business, commercial or other private transaction that*

creates a conflict with their official duties. Should a conflict arise, Officials shall take proactive steps to disclose all relevant information and refrain from participating in any city business or activity related to the conflict.

Personal Relationships: *Officials shall disclose personal relationships in any instance where there could be the appearance of a conflict of interest.*

Business Relationships: *Officials shall not use city time, equipment, or facilities for marketing or soliciting for private business activities.*

Conduct business of the City in a manner which is not only fair in fact, but also in appearance.

Not knowingly violate any Washington statutes, City ordinance, or regulation while performing their duties.

<name>

<title>

Code of Ethics Revisions

AB 5628 | November 19, 2019



Code of Ethics for Public Officials

- Originally adopted November 2018
- The code requires that:
 1. Officials comply with the laws and policies affecting the operations of government;
 2. Officials be independent, impartial and fair in their judgment and actions;
 3. Public office be used for the public good, not for personal gain; and
 4. Public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.



Code of Ethics Revisions

- Removed references to State laws as City is not authority to investigate complaints
- Additional sections:
 - *Acceptance of gifts (Section 2.60.030)*
 - *Interest in contracts prohibited (Section 2.60.040)*
 - *Incompatible service – confidential information (Section 2.60.050)*
 - *Personal or private interests (Section 2.60.060)*
- Update Code of Ethics Statement (Resolution No. 1572)



Code of Ethics Revisions

Ethics Officer

- Responsible for prompt and fair enforcement of the code of ethics
- Seattle Ethics and Elections Commission
- After complaint is received, EO makes determination of sufficiency within 30 days
- If the complaint is insufficient, inadvertent, or has already been addressed, it will be dismissed

Code of Ethics Revisions

Ethics Officer (continued)

- If the complaint is sufficient, EO conducts investigation
- If EO determines material violation of MICC 2.60.030-.060 occurred, a hearing will be held to determine if a violation has occurred
- Notice of hearing at least 30 days prior
- Public official complained against can file written answer to the charge and to appear at the hearing with or without legal counsel, submit testimony, be fully heard, and to examine and cross examine witnesses



Code of Ethics Revisions

Hearings

- Hearing Examiner will conduct hearings on complaints found to be sufficient by the Ethics Officer
- HE will prepare an official record of the hearing, including all testimony, which will also be recorded
- Within 30 days of the hearing, the HE will issue a final decision with findings of fact, conclusions of law, and recommended disposition

Code of Ethics Revisions

City Council Action

- Deliberate the stipulations and recommendations from the Ethics Officer and findings, conclusions, and recommendations from the Hearing Examiner in Executive Session [RCW 42.30.110(1)(f)]
- Public Official complained against cannot participate in Executive Session
- City Council's final action shall be by majority vote in a public meeting



Code of Ethics Revisions

City Council Action - Disposition

1. Dismissal
2. Refer to another agency
3. Admonition
4. Reprimand
5. Censure
6. Removal (for Board, Commission, Committee Member)
7. Civil Penalties
8. Void Contract
9. Other Penalties

Next Steps

1. Provide feedback on proposed Ordinance No. 19C-20 and Resolution No. 1572
2. Bring back for adoption on the Consent Calendar at the December 3 Council meeting
3. Staff will contract with
 - Seattle Ethics and Elections Commissions for Ethics Officer
 - Local lawyer for Hearing Examiner



PLANNING SCHEDULE

Item 12.

Please email the City Manager & City Clerk when an agenda item is added, moved, or removed.

Special Meetings and Study Sessions begin at 6:00 pm. Regular Meetings begin at 7:00 pm.
Items are not listed in any particular order. Agenda items & meeting dates are subject to change.

NOVEMBER 19		DUE TO:	11/8 D/P	11/11 FN	11/11 CA	11/12 Clerk
ABSENCES: Wisenteiner						
ITEM TYPE TIME TOPIC				STAFF		
EXECUTIVE SESSION (5:00 pm)						
60	To discuss pending or potential litigation with legal counsel pursuant to RCW 42.30.110(1)(i) for approximately 60 minutes.					
STUDY SESSION (6:00-7:00 pm)						
60	AB 5626: Update on ARCH and ARCH 2020 Work Plan and Administrative Budget			Alison VanGorp		
SPECIAL BUSINESS (7:00 pm)						
10	City Stewardship Award Presentation			Ali Spietz		
CONSENT CALENDAR						
--	AB 5612: Groveland Park Repairs & Shoreline Improvements Project Closeout			Paul West		
--	AB 5627: Approve 2020 ARCH Work Plan and Budget			Alison VanGorp		
REGULAR BUSINESS						
30	AB 5634: Reimbursement Agreement for Environmental Remediation with Atlantic Richfield Company and Seller of the 7810 SE 27th Street (ARCO) Property for the City’s Proposed Commuter Parking & Mixed-Use Project.			Jessi Bon		
60	PUBLIC HEARING (Legal Notice: 11/6 & 11/13) Public Hearing: 2019-2020 Mid-Biennial Budget Review: Third Quarter 2019 Financial Status Report, NORCOM 2020 Budget Resolution, 2020 Utility Rate Resolutions, 2020 Property Tax Ordinances, and 2019-2020 Budget Adjustments.			LaJuan Tuttle		
20	AB 5623: Sustainability Update – K4C Commitments			Ross Freeman		
30	AB 5632: Ordinance No. 19C-19 adopting Public Institution Code Amendments (1 st Reading)			Evan Maxim		
30	AB 5628: Code of Ethics Amendments (Ordinance No. 19C-20; 1 st Reading)			Ali Spietz		
EXECUTIVE SESSION						
30	For planning or adopting the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4)(b)					

DECEMBER 3			DUE TO:	11/22 D/P	11/25 FN	11/25 CA	11/26 Clerk
ABSENCES:							
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
15	Special Recognition				Mayor Bertlin		
CONSENT CALENDAR							
--	AB 5636: CPD Development and Construction Permit Fees Update Resolution No. 1567				Alison VanGorp		

--	AB 5635: Public Institution Code Amendment (Ordinance No. 19C-19; 2nd Reading & Adoption)	Evan Maxim	Item 12.
--	AB 5639: Code of Ethics Amendments (Ordinance No. 19C-20; 2 nd Reading and Adoption)	Ali Spietz	
REGULAR BUSINESS			
30	PUBLIC HEARING (Legal Notice: 10/30) AB 5637: Public Hearing: Interim Design and Concealment Standards for Small Cell Facilities Deployment Ordinance (Extension and Adoption)	Evan Maxim	
30	AB 5629: Aubrey Davis Park Master Plan Adoption (Resolution No. 1571)	Ryan Daly & Paul West	
30	AB 5630: Minor Code Amendments (1 st Reading)	Evan Maxim	
30	AB 5631: 2019 Comprehensive Plan Amendments (2 nd Reading & Adoption)	Evan Maxim	
EXECUTIVE SESSION			
30	For planning or adopting the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4)(b)		

DECEMBER 10 – 6:00 PM			
Legal Notice: published			
SPECIAL BUSINESS (6:00 pm)			
30	Special Recognitions	Deputy Mayor Nice	
CONSENT CALENDAR			
--	AB 5638: Minor Code Amendments (2 nd Reading & Adoption)	Evan Maxim	
REGULAR BUSINESS			
30	AB 5624: 2020 Comprehensive Plan Amendment Docket	Evan Maxim	
EXECUTIVE SESSION			

DECEMBER 17			
Legal Notice: published 12/4			
	CANCELED		

OTHER ITEMS TO BE SCHEDULED:

- Open Space Vegetation Management Report – A. Sommargren
- Comprehensive Mobility Plan (ST Settlement) – K. Taylor
- Utility Projects Update – J. Kintner

2020 Agenda Items:

- Process to Appoint Permanent City Manager – K. Segle
- Pavement 101 (Q1)
- Stormwater Dissolved Metals Testing Report (Q2)
- Joint Meeting with Parks & Recreation Commission (Mar)
- Code Compliance and Short-Term Rentals Discussion – A. Van Gorp
- Zayo Franchise – B. Park
- Puget Sound Emergency Radio Network (PSERN) Operator Interlocal Agreement – D. Jokinen

MISD BOARD JOINT MEETING DATES:

- Thursday, April 23, 2020, 4:45-6:00 pm

JANUARY 7			DUE TO:	12/27 D/P	12/30 FN	12/30 CA	Item 12.
ABSENCES:							
ITEM TYPE TIME TOPIC					STAFF		
SPECIAL BUSINESS (7:00 pm)							
15	AB xxxx: Councilmember Oaths of Office and Mayor and Deputy Mayor Elections				Deb Estrada		
CONSENT CALENDAR							
--	AB xxxx: Roadside Shoulder Improvements, WMW Phase 2, Contract Award				Clint Morris		
REGULAR BUSINESS							
90	AB xxxx: CIP Projects Update and Project Management Report				LaJuan Tuttle		
30	AB xxxx: Rooftop Railings Code Amendment (1 st Reading)				Evan Maxim		
EXECUTIVE SESSION							

JANUARY 21		DUE TO:	1/10 D/P	1/13 FN	1/13 CA	1/14 Clerk
ABSENCES:						
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION (5:00-7:00 pm)						
60	AB xxxx: Community Needs Assessment & Human Services Funding			Cindy Goodwin		
60	AB xxxx: MIFYS Foundation Strategic Plan Report			Cindy Goodwin		
SPECIAL BUSINESS (7:00 pm)						
CONSENT CALENDAR						
--	AB xxxx: Rooftop Railings Code Amendment (2 nd Reading & Adoption)			Evan Maxim		
REGULAR BUSINESS						
	AB xxxx: Community Facility – Planning Commission Report			Evan Maxim		
EXECUTIVE SESSION						

JANUARY 24 (FRIDAY) - PLANNING SESSION						
LEGAL NOTICE						
JANUARY 25 (SATURDAY) - PLANNING SESSION						
LEGAL NOTICE						

FEBRUARY 4			DUE TO:	1/24 D/P	1/27 FN	1/27 CA	1/28 Clerk
ABSENCES:							
ITEM TYPE TIME TOPIC					STAFF		
253	SESSION (5:30-7:00 pm)						

90	Regional Growth Update - Joint Study Session with Planning Commission	Evan Maxim	Item 12.
SPECIAL BUSINESS (7:00 pm)			
CONSENT CALENDAR			
REGULAR BUSINESS			
EXECUTIVE SESSION			

FEBRUARY 18 ABSENCES:			DUE TO:	2/7 D/P	2/10 FN	2/10 CA	2/11 Clerk
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
--	AB xxxx: Rooftop Railings Code Amendment (2 nd Reading & Adoption)				Evan Maxim		
REGULAR BUSINESS							
EXECUTIVE SESSION							

MARCH 3		DUE	2/21	2/24	2/24	2/25
ABSENCES:		TO:	D/P	FN	CA	Clerk
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION (5:30-7:00 pm)						
90	PROS Plan Kick-Off Meeting – Joint Study Session with Parks and Recreation Commission			Ryan Daly		
SPECIAL BUSINESS (7:00 pm)						
CONSENT CALENDAR						
REGULAR BUSINESS						
EXECUTIVE SESSION						

MARCH 17 ABSENCES:			DUE TO:	3/6 D/P	3/2 FN	3/2 CA	Item 12.
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
REGULAR BUSINESS							
EXECUTIVE SESSION							

APRIL 7 ABSENCES:		DUE TO:	3/27 D/P	3/30 FN	3/30 CA	3/31 Clerk
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION (6:00-7:00 pm)						
SPECIAL BUSINESS (7:00 pm)						
CONSENT CALENDAR						
REGULAR BUSINESS						
EXECUTIVE SESSION						

APRIL 21 ABSENCES:			DUE TO:	4/10 D/P	4/13 FN	4/13 CA	4/14 Clerk
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
REGULAR BUSINESS							

EXECUTIVE SESSION					Item 12.

APRIL 23 (THURSDAY, SPECIAL MEETING)					
Legal Notice: ABSENCES:					
60	Joint Meeting with MISD Board (4:45 – 6:00 pm)				Jessi

MAY 5 ABSENCES:				DUE TO:	D/P	FN	CA	Clerk
ITEM TYPE TIME TOPIC						STAFF		
STUDY SESSION (6:00-7:00 pm)								
SPECIAL BUSINESS (7:00 pm)								
CONSENT CALENDAR								
REGULAR BUSINESS								
EXECUTIVE SESSION								

MAY 19			DUE TO:	D/P	FN	CA	Clerk
ABSENCES:							
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
REGULAR BUSINESS							
EXECUTIVE SESSION							

JUNE 2				DUE TO:	D/P	FN	CA	Clerk
ABSENCES:								
ITEM TYPE TIME TOPIC						STAFF		
STUDY SESSION (6:00-7:00 pm)								
256								

SPECIAL BUSINESS (7:00 pm)					Item 12.
CONSENT CALENDAR					
REGULAR BUSINESS					
EXECUTIVE SESSION					

JUNE 16 ABSENCES:			DUE TO:	D/P	FN	CA	Clerk
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
REGULAR BUSINESS							
EXECUTIVE SESSION							

JULY 7 ABSENCES:			DUE TO:	D/P	FN	CA	Clerk
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
REGULAR BUSINESS							
EXECUTIVE SESSION							

JULY 21 ABSENCES:			DUE TO:	D/P	FN	CA	Clerk
257	TYPE TIME TOPIC					STAFF	

STUDY SESSION (6:00-7:00 pm)					Item 12.
SPECIAL BUSINESS (7:00 pm)					
CONSENT CALENDAR					
REGULAR BUSINESS					
EXECUTIVE SESSION					

AUGUST 4					
	POTENTIALLY CANCELED				

AUGUST 18					
	POTENTIALLY CANCELED				

SEPTEMBER 1			DUE TO:	D/P	FN	CA	Clerk
ABSENCES:							
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							
REGULAR BUSINESS							
EXECUTIVE SESSION							

SEPTEMBER 15			DUE TO:	D/P	FN	CA	Clerk
ABSENCES:							
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION (6:00-7:00 pm)							
SPECIAL BUSINESS (7:00 pm)							
CONSENT CALENDAR							

CONSENT CALENDAR					
REGULAR BUSINESS					
EXECUTIVE SESSION					

NOVEMBER 17	DUE TO:	D/P	FN	CA	Clerk
ABSENCES:					
ITEM TYPE TIME TOPIC			STAFF		
STUDY SESSION (6:00-7:00 pm)					
SPECIAL BUSINESS (7:00 pm)					
CONSENT CALENDAR					
REGULAR BUSINESS					
EXECUTIVE SESSION					

DECEMBER 1	DUE TO:	D/P	FN	CA	Clerk
ABSENCES:					
ITEM TYPE TIME TOPIC			STAFF		
STUDY SESSION (6:00-7:00 pm)					
SPECIAL BUSINESS (7:00 pm)					
CONSENT CALENDAR					
REGULAR BUSINESS					
EXECUTIVE SESSION					

DECEMBER 15	DUE TO:	D/P	FN	CA	Clerk
ABSENCES:					
ITEM TYPE TIME TOPIC			STAFF		
260 SESSION (6:00-7:00 pm)					

SPECIAL BUSINESS (7:00 pm)

CONSENT CALENDAR

REGULAR BUSINESS

EXECUTIVE SESSION

ANNUAL (ROUTINE) ITEMS:

Council/City Manager:

- Legislative Agenda (Q3 & Q4)
- City Council Annual Planning Session (Q1)
- Adoption of City Council Priorities (Q2)
- City Council Mid-Year Planning Session (Q2)
- Sustainability Update (Q1 & Q3)
- Boards & Commissions Annual Appointments (Q2)

Community Planning and Development:

- ARCH Budget and Work Program (Q1)
- ARCH Trust Fund Recommendations (Q1)
- Code Amendment to Update School Impact Fees (Q3)
- Comprehensive Plan Amendments (Q4)
- Comprehensive Plan Docket (Q4)

Finance/Budget:

- Every Year:
 - General Fund & REET Surplus Disposition (Q2)
 - 4th Quarter Financial Status Report & Budget Adjustments (Q2)
 - 1st Quarter Financial Status Report & Budget Adjustments (Q2)
 - 2nd Quarter Financial Status Report & Budget Adjustments (Q3)
 - 3rd Quarter Financial Status Report & Budget Adjustments (Q4)
- Odd Years:
 - Mid-Biennial Budget Review (3rd Quarter Financial Status Report & Budget Adjustments, Utility Rates, and Property Tax Levy) (Nov Mtg)
- Even Years:
 - Capital Improvement Program (CIP) Budget Kick-Off (2nd Mar Mtg)
 - Operating Budget Kick-Off (Mid-Year PS)
 - Proposed Budget: Presentation & Distribution (1st Oct Mtg)
 - Proposed Budget: Operating Budget Review (2nd Oct Mtg)
 - Proposed Budget: Capital Improvement Program Review (1st Nov Mtg)
 - Proposed Budget: Finalize Changes & Adopt Tax Ordinances and Fee Resolutions (2nd Nov Mtg)
 - Final Budget Adoption (1st Dec Mtg)

Fire Department:

Human Resources:

- Police & Police Support Collective Bargaining Agreements
- Fire Collective Bargaining Agreement
- AFSCME Collective Bargaining Agreement

Parks & Recreation:

- Open Space Conservancy Trust Board Annual Report and Work Plan (Q2)
- Open Space Vegetation Management Report (Q2, every other year)

Public Works:

- Bid Awards & Project Close-Outs
- Public Hearing: Preview of 6-Year Transportation Improvement Program (Q2)
- Adoption of 6-Year Transportation Improvement Program (Q2)

Youth & Family Services:

- Interlocal Agreement with MISD for School Mental Health Counselors (Q3)

Proclamations:

- Sexual Assault Awareness Month (1st Apr)
- Safe Boating and Paddling Week (2nd May)
- Parks and Recreation Month (1st Jul)
- National Recovery Month (1st Sep)
- National Preparedness Month (1st Sep)
- Mayor's Day of Concern for the Hungry (1st Sep)
- Peace Day on Mercer Island (September 18)
- Domestic Violence Action Month (1st Oct)

Item 12.